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CONTENTS

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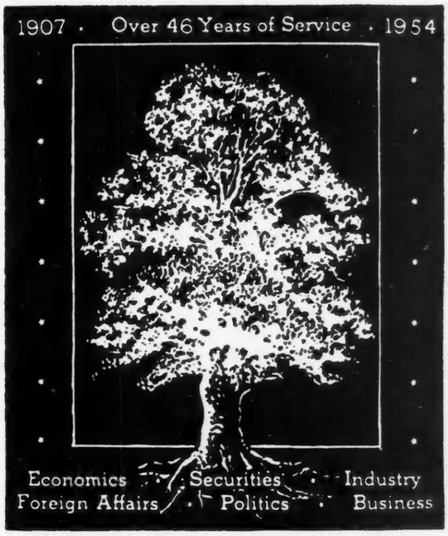
④ THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

HIGH ROAD TO INFLATION . . . The Eisenhower Administration has a massive fight on its hands if it is to put through its tax program. Already, the House, by an overwhelming vote has approved a $1 billion cut in excise taxes. Judged by the widespread Democratic and some Republican support of Senator George's proposal to raise income tax exemptions—many Republicans, sad to relate, are envious because they had not thought of it first—there are grave possibilities that the gates may be thrown wide open to tax-slashing on an unwarranted scale.

If exemptions were adopted according to the George plan the Treasury would lose about $2.5 billion in revenue for fiscal 1955 and $5 billion in the following year. We already have a deficit in sight for 1955 that will amount to $2.9 billion, based on the government's own estimates. If new tax cuts are affected, deficits will increase to $6.4 billion in fiscal 1955 and $8.9 billion the year after. This is a most discouraging prospect.

We do not know of a surer way of wrecking the government's financial program than by allowing such a thing to happen. Nor is this all. By opening the way to unbridled inflation, the government's painstaking efforts to restore confidence in the currency would be undone. The recent relative stability of prices which has been such a welcome relief from the past would no longer be possible and another dreary series of rounds of wage increases would return to plague the nation.

> *We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!*

The claim is made that the immense tax cuts that have been proposed would tend to restore the waning buying power of the public. This is the shot-in-the-arm type of philosophy which came close to undermining the American economy in the past two decades. In one of the most important elections in history coming at a critical juncture in our economic affairs, General Eisenhower was placed in power to reverse former federal financial policies. It would be equivalent to a national disaster, therefore, if in a campaign for votes in the next election, Congress now abandoned the sound tax program promised by the new Administration and thereby virtually turned its back on its plain duty to maintain the solvency of this nation.

The President in his talk to the nation on March 15 has asked for full support for his tax program. He should have it. Citizens, who are mindful of the dire consequences of a new inflation, can help avert this danger by writing to wavering Congressmen and Senators, urging them to vote against extreme tax cuts that the country cannot afford at this time.

CONFERENCE AT CARACAS . . . Secretary Dulles has just returned from the tenth Inter-American Conference at Caracas, Venezuela. There he appears to have scored a victory in securing the passage of a declaration condemning international communism and a pledge that—aside from Guatemala and two abstainers, Mexico and Argentina—collec-

tive resistance would be offered if any single state should come under the outright domination of the red empire.

We should not assume from this, however, that all is well between the United States and our Latin American neighbors. There is still a very strong residue of feeling that the "northern colossus" is basically interventionist and non-cooperative in South American economic affairs. What can be done about this is not yet clear but at any rate an attempt will be made to improve the situation at the forthcoming economic conference. Presumably, the attempt will be made—as is normal at such "conferences"—to extract the maximum concessions from the United States.

We have similar troubles in Asia. Nehru superciliously thinks he can stand aloof from the East-West struggle though he has had a good example of communist encroachment in the recent elections in Travancore-Cochin, where the Reds have just scored a major victory.

In Europe the situation is not much different. The French want to throw in the sponge in Indo-China and, in Britain, Aneurin Bevan is splitting the Labor party wide open on the problem of arming West Germany. In Italy, the thin-edge victory of Scelba does not obscure the formidable strength of the Communist and their fellow-travelers.

It is not a mere coincidence that these unfavorable developments should materialize simultaneously with the recession in the United States. Any sign of economic faltering on our part is bound to be seized on by our already half-hearted partners as a pretext for withdrawal from full and truly effective cooperation with us in the struggle against global communism. For that reason, we must see to it that our economic strength remains unimpaired. All of us must bend our efforts in this direction—private industry, government and the people—for very much more now is at stake than the question of business profits and employment, important as they are. It should be realized that the international political repercussions of a slump in business in the United States could be very severe, with disastrous results to our painfully-wrought alliances.

DEFECTS IN EMPLOYMENT DATA . . . The Census Bureau of the Department of Commerce has just released its February unemployment figures but no one can be sure as to just what they mean. It is stated that 3.6 million were unemployed at the end of February but the figure clashes with other government estimates.

Part of the difficulty arises from the fact that the Census Bureau, in an attempt to improve its statistic-gathering methods has been using different "sampling" methods. The Labor Department has its own system. All this adds to considerable confusion. It is not surprising that increasing criticism should be heard from business quarters. Even more important, the entire system of preparing government economic statistics is brought into question, and the Administration itself is consequently handicapped in making a proper appraisal of what has to be done.

It is highly essential, of course, that accurate and timely data on employment totals be available. No one doubts that it is the wish of the government agencies concerned to see to it that this is accomplished as speedily as possible. However, it is already apparent that the present "sampling" methods have not been well prepared and that it was inevitable that confusion should have arisen.

The Joint Committee on the Economic Report itself recognizes the weakness of present methods of compiling unemployment data but has not gone further than to urge that better methods be adopted. We suggest instead that the Committee, in concert with the Departments of Commerce and Labor, formulate a working plan and assume more active responsibility in its direction. Unless the necessary steps are soon taken to eliminate the "bugs" in present methods of securing unemployment data, it is to be feared that public confidence in government statistics generally may be undermined.

ANOTHER GLANCE AT CORPORATE PROFITS . . . Most 1953 annual corporate reports make very good reading but close examination of details reveals the significant fact that the fourth quarter did not continue the excellent results of the first nine months. As a matter of fact, pretax earnings in the final quarter, for a number of corporations, were well below those of any of the preceding quarters. This situation was obscured to the average investor because income taxes, which necessarily dropped proportionately, offset the decline in pretax earnings to a very considerable extent so that net earnings did not reflect the actual situation with regard to volume and cost of operations. In cases where net earnings increased, though pretax earnings declined, the result was due principally to heavier charges for depreciation, accelerated amortization, excess profits and other taxes apportioned to the first three quarters of the year than to the final quarter. In any case, it is obvious that net earnings as reported for the final quarter do not realistically indicate the actual trend of operating profits.

The trend is especially significant since a comparison shows that sales in the final quarter held up much better than the decline in pretax earnings would indicate. The causes for the decline, therefore, must be found in the higher cost of increasing competition, lower rate of production (not yet reflected in sales), a tendency toward price-cutting, and higher per unit production costs arising from the decline in output.

Since these conditions have also prevailed during the first quarter of 1954, with the additional factor of a more pronounced decline in sales, it is likely that pretax earnings for the current period will continue the trend which became visible in the final quarter of 1954. Some offset, to be sure, will be experienced by companies which have been paying very large excess profits taxes so that a decline in pretax earnings in such cases should not be proportionately reflected in first quarter net income. In other words, these companies have a "cushion" against a drop in earnings. Most companies, however, especially those which have not fallen materially within the excess profits taxes, will find that the pending drop in net income will more or less parallel the decline in (*Please turn to page* 776)

As I See It!

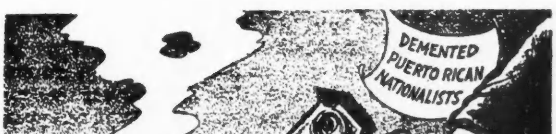
By CHARLES BENEDICT

THE PROBLEM OF PUERTO RICO

The recent shooting in Congress by a terrorist group of Puerto Ricans has brought out into the open a situation that is a great source of anxiety to the citizens of New York City, for the great influx of Puerto Ricans has been making slums of some of the best sections, has overtaxed and overcrowded educational facilities, and has brought great burdens upon our school systems. The demands for unemployment compensation and social welfare have been enormous and altogether have so greatly increased the costs of absorbing and caring for these 450,000 additional citizens that it has contributed greatly to the deficit financing in New York City and the search for new funds through taxation.

"THEY DO NOT SPEAK FOR US"

Says Governor of Puerto Rico



Shanks in The Buffalo Evening News

We quote from a dispatch by Alistair Cooke, well-known British journalist, appearing in the Manchester Guardian, which tells a story that clearly points to the seriousness of the situation:

"Puerto Rico was taken by the United States from Spain in the Spanish-American war of 1898, and in 1917 became a Territory, which granted American citizenship to its people. If they care to come to this country they can vote, and since 1946 they have been coming in alarming numbers. There are only two and a half million people in Puerto Rico, but today New York has over 450,000 of them cramped into this one malodorous corner of Harlem, which the lunatic patriots left yesterday morning for Pennsylvania Station and a train to Washington.

The Puerto Ricans who started to come in here after the war were mostly poor dirt farmers and young unemployed out of San Juan. Some highly disreputable airlines made a mint of money in flying over as many as two thousand a month, bringing them in battered crates and sluggish freighters to exchange the rural poverty of their native land for the city poverty of a Harlem cold-water flat. Thirty of them bedding down in two rooms is not an uncommon ménage only five blocks north from where I am writing this dispatch.

Syphilis, tuberculosis, and one or two tropical diseases are rife among them, and their health problem is something that the Board of Health is practically helpless to solve. The crime rate is not to be calculated and is kept apart from the figures computed for the rest of the city. But because they can vote they are tempting bait to the Harlem politicians, and have provided raw meat for the Left-wing American Labor party. This midden is a congenial hatchery of violence and of such hare-brained plots as yesterday wounded five Congressmen and in 1950 nearly cost Harry Truman his life.

The Puerto Rican Nationalists are a pitiful minority and on their home ground cannot raise enough votes to dignify themselves with the rank of a party. They are a terrorist group started in 1928 by Pedro Alluzu Campos."

There is no question whatever that the United States is ready to support complete independence for Puerto Rico. In fact, President Eisenhower, as recently as last November, told the United Nations that the United States was ready to support complete independence for Puerto Rico at any time. Yet a month ago, when such a resolution was brought before the Puerto Rican House, independence was rejected by 42 to 14.

It is clear something (*Please turn to page* 770)

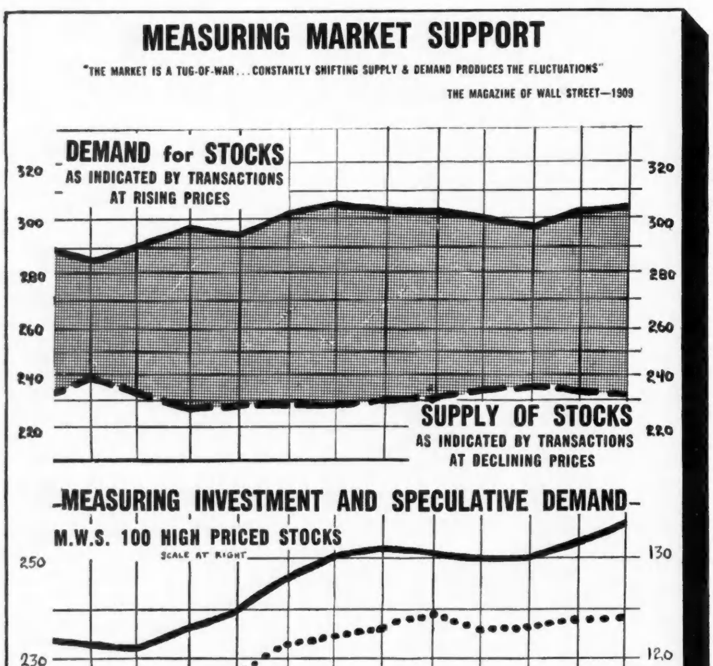
Market Looks to First Quarter Earnings

On average, despite some profit taking and recession late last week, stock prices rose further over the last fortnight in a mixed market. This is not an opportune time to enlarge over-all holdings of equities. Maintain conservative reserves and emphasize realistically appraised investment values and special-situation profit potentials in individual issues.

By A. T. MILLER

On the whole, investors remain more inclined to hold stocks, and to buy issues that look attractive to them on an individual basis, than to sell. Therefore, the market, even though it is still selective, continues to perform well on an over-all basis. It has now maintained a six-month upswing from the lows reached last September following more than an eight-month decline from the major highs recorded by the Dow industrial and rail averages in early 1953 and late 1952, respectively. The rise has run to nearly 18% for the industrial average and to over 15% for rails, at the latter's best recovery level to date. Moving in line with the bond market, the utility average has risen nearly 17% from the low it recorded last June.

This advance, in the face of business recession, has stemmed from a decisive shift to the optimistic side in investment psychology. The buying has been and remains predominantly on a cash basis. "Sentiment" in this market has long been much more of the story than "statistics" or technical factors; and if there has been any significant impairment of the technical position, in consequence of relative large and protracted advance, it is not yet apparent. Particularly in the industrial and utility lists, corrective reactions to date have not amounted to much or lasted long.

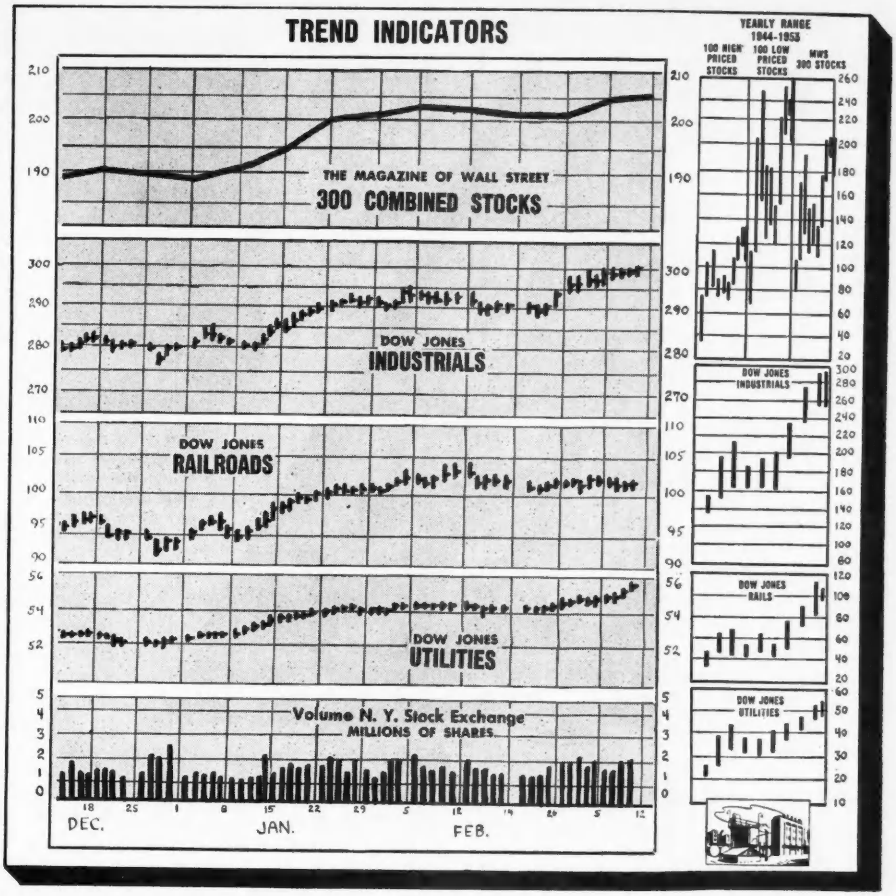


The Current Performance

In the past, following prior gains, considerable sell-offs in February or March or both—with performance in the first half of March affected by the drain of March 15 tax payments on cash available for investment—have been fairly common, even though by no means consistent. In the present instance, despite pronounced upward tendencies through January, strength has been maintained in the industrial and utility sections for an additional six weeks, although there was a slight recession in the final session last week. Reflecting materially reduced traffic and earnings, the performance of rails has been considerably less impressive and more irregular. This average attained its recovery high to date about a month ago on February 12, at a level about 9 points under its bull-market high of late 1952, and has been restricted to an uncommonly narrow range in recent weeks.

The industrial and utility averages chalked up appreciable further net gains over the last fornight, with the former crossing the 300 level for the first time since late October of 1929 and increasing its betterment of the high of early January, 1953, to a little over 7 points. Utilities reached their best level since 1931. Trading volume remained moderate, and continued the tendency to expand somewhat on strength in stock prices, contracted on minor day-to-day or intra-day price dips.

There has been no weakening, by and large, in institutional-grade income and growth stocks. On the contrary, issues of this type have mostly risen further over the last two weeks. But they are not making as much of the "market news" as heretofore because of increased demand for secondary and speculative stocks. The latter has not been present long enough or gone far enough to suggest serious excess. So far, it is scarcely less selective and discriminating than is demand for so-called leading stocks. As heretofore, demand is detouring around hundreds of stocks which remain more or less static. Although more equities gained ground last week than declined, a list of the latter nevertheless would run to great length. In approximate terms, 2 stocks declined for every 3 that gained on the week.



Buyers are willing to assume speculative risk where they think—rightly or wrongly—that prospects are good for one reason or another. Among the many stocks of less than institutional grade which have been showing special strength in recent days, and up to this writing, are: Carrier Corp., American Radiator, Crown Cork, Allied Stores, American Distilling, American Machine & Metals, Black & Decker, General Bronze, Lockheed, Boeing, Glenn Martin, National Acme, Martin Parry, Reo Motors, Pepsi-Cola, Universal Pictures, Worthington Corp., and York Corp. Quite a few of these, and they are by no means an inclusive list, are too speculative to be called even medium grade—and at what prices they might be six months or a year hence is a question for speculators to guess at.

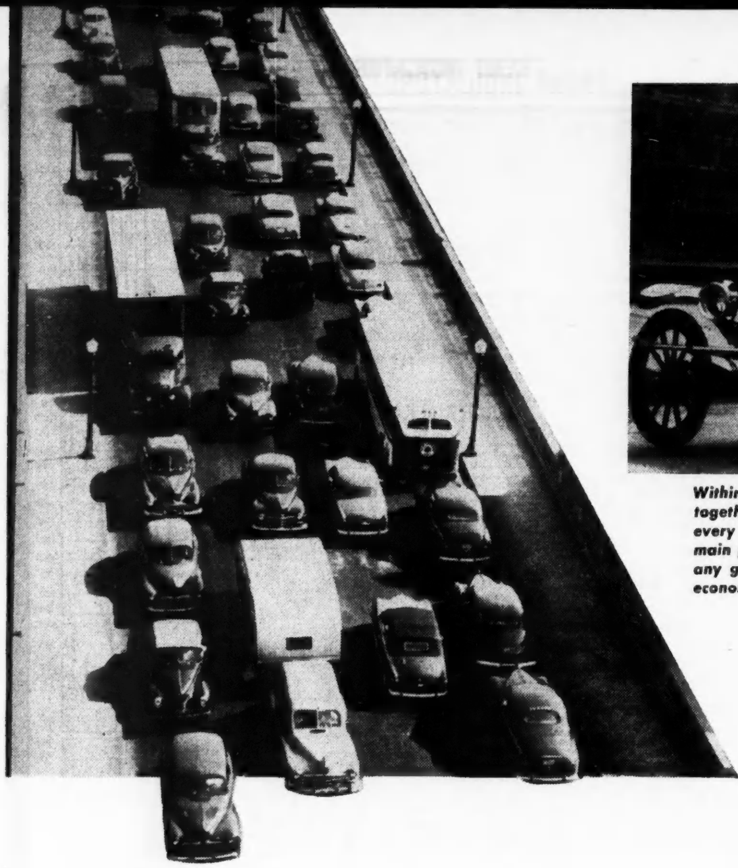
With the industrial average doing well and the rails lagging, the market is out of gear in the eyes of those who put stress on "confirmation" of the trend of either by the other. There have been extended periods when industrials moved higher with little or no positive help from rails. They are more capable of doing so in the modern market than in older ones, because there is more discriminating investment and less speculation (both professional and public) than in earlier times.

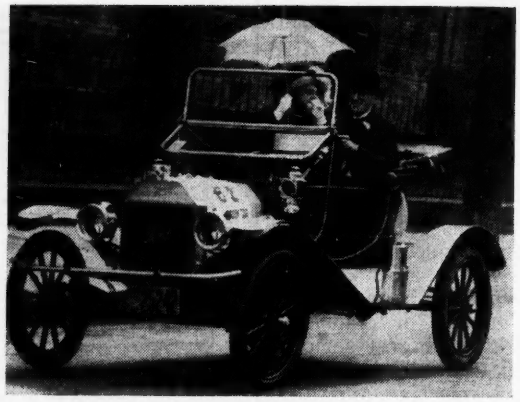
This is not to say that industrials probably will go higher, but merely to acknowledge the possibility. Improved rail action, should it develop, would certainly give a further lift to market confidence. It is hard to see how the going for the rail average in the 9 points between the current level and the late 1952 high could be other than tough. However, it could make a big difference any time the market concludes that the bulk of the shrinkage in rail traffic and earnings has been seen, since that would shift the emphasis to rail dividends, which in many instances are amply protected, and which provide high yields, That might happen somewhere along the line, having already happened in the case of industrials, in that the prospect of materially lower 1954 earnings has been ignored in this market rise, while the emphasis was put on satisfactory dividend prospects, good yields, shrinking bond yields and the possible tax credit for dividend income.

Higher Valuation Of Lower Earnings

Following the 1946 reconversion and that year's 50-point fall in the industrial average, the market year after year put an abnormally low valuation on boom-time earnings and dividends. It was figured that some goodly part thereof was non-recurrent, being subject to evaporation in "the coming postwar recession" the most widely anticipated recession in history. From time to time the date of the recession was put ahead and the market raised its sights; but price-earnings ratios never rose more than moderately, nor did dividend yields recede greatly. They continued to allow in substantial degree for "the coming recession".

In the six years 1947-1952 industrial stocks of the general type represented in the Dow average sold on an average price-earnings ratio of about 8.3, compared with (*Please turn to page* 777)





Within less than two generations, the automotive industry, together with its enormous ramifications into practically every other industry in the United States, has become the main pillar of our prosperity. Its position and outlook, at any given stage, exerts a predominant influence on our economy. Never more so than at the present.

The Power of the Automotive Industry

—*In Our Economy Today*

By VERNON HALL

Although most Americans are aware of the tremendous magnitude of our automotive industry, few realize that this industry alone, directly or indirectly, accounts for not too far from 25 per cent of the nation's total industrial volume.

Last year, sales of the car and truck builders, together with those of the parts and accessories manufacturers and other related producers, amounted to approximately $40 billion, a volume that gives to the automotive industry, in comparison to all others, the stature of a colossus. Because of its size, its rate of activity has an exceedingly important bearing on the nation's economy. Its status at all times is, therefore, a matter of the greatest concern, especially now when, in common with other industries, it finds itself in a major transition from a war-time and the aftermath of a war-time economy to that which has taken on some semblance of peace-time conditions.

This becomes obvious when it is realized that about one out of every seven employed Americans works directly for the automotive and related industries, or in some way for these industries or in connection with the end products. The total is put at 9.5 million made up of about 5.5 million truck and bus drivers; 2 million in sales and servicing; 600,000 handling automobile financing and insurance; about 291,000 directly employed in the petroleum industry, and approximately 280,000 engaged in road building and maintenance.

In the automotive industry itself, there are about 770,000 production workers, on the basis of 1953 figures. Combining salaried employees in the industry to this number, brings the total to 930,000. The industry's 1953 payroll amounted to $3.5 billion, with the average production worker's pay envelope containing $87.32 for a 40.8 hour-week at an average hourly rate of $2.14.

But huge as the grand total of 9.5 million may seem, it is a conservative figure. It does not take in workers in state and other government bureaus dealing with automobile taxes and registrations and other matters; neither does it include workers in the various industries such as rubber, paint, electric wire, radio, textile, glass, steel, and the non-ferrous metals, whose jobs have been created by the automotive industry, increasing in number as the industry has grown in stature.

To illustrate: tire manufacturers in 1953 supplied the automotive industry with close to 38 million tires to meet original equipment needs for passenger car, truck and bus output, in addition to shipping more than 55 million tires for replacements. The steel industry, out of its total 1953 production of 111.6 million net tons of steel, sold 14,664,000 net tons, or 13 percent of total production, to the car and truck builders. Approximately 30 per cent of radio receiving sets manufactured last year went into automobiles, and glass manufacturers sold the automobile makers enough plate glass for passenger cars alone in an amount equal to the glazing requirements of

1.5 million five-room houses.

The fact that the average passenger car requires up to seven miles of wiring for the electrical systems, and that the automotive industry uses about $80 million worth of cotton, as well as several million yards of natural and synthetic fabrics in a year serve as an index to the impact upon the several industries supplying these wants. The railroads, too, have benefited from the activities of the automotive and directly and indirectly related industries. In 1953 the railroads hauled 3,644,000 cars of automotive freight and collected $841 million in revenue for this service.

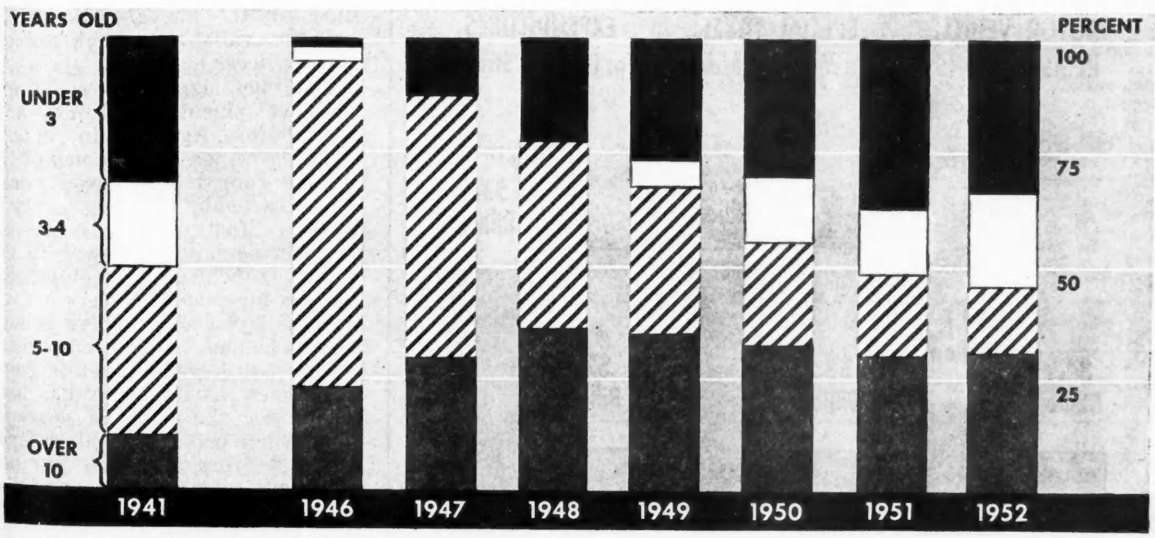
Automobile builders and their products are also an important source of revenue to governments at various levels. Last year, state registration fees, gasoline taxes, special city and county taxes, tolls, and Federal excise taxes totaled $5.7 billion, up by approximately $400 million from 1952, and marking the eighth consecutive year in which such taxes reached a new high. On top of these collections the industry, during the year ended Sept. 30, last, paid the government in Washington $2,086 million in income and excess profit taxes.

Last year and those immediately preceding have been big years for the automotive industry. Producing approximately 6,165,000 passenger cars and 1,205,000 trucks and buses, it achieved a record in 1953 second only to that established in 1950 when 8,003,056 units were turned out. The only trouble with 1953 operations was that sales of passenger cars did not keep pace with production. In the years immediately following the end of World War II, automobile dealers were being actually harassed by car buyers beseeching them for delivery. There was a purchaser waiting for every car coming off the assembly lines and used car dealers had emissaries combing the country even for jalopies to replenish their stocks. Toward the latter part of 1953, evidence began to accumulate indicating that postwar demand for cars had been satisfied. New cars in dealers' hands increased and sales of used cars, previously at an exceedingly brisk pace, settled to a crawl. Without question, a factor contributing to this slowdown in new and used car sales, was the influence upon our population of the many and varied predictions regarding the changing status of our economy. The buying public, their confidence shaken somewhat, apparently adopted a "wait and see" attitude, putting off the purchase of a new car, making the old one do a little while longer. This is substantiated by the fact that 1953 car scrappage amounted to only approximately 2,465,936 cars as against the 3,700,000 units that were expected.

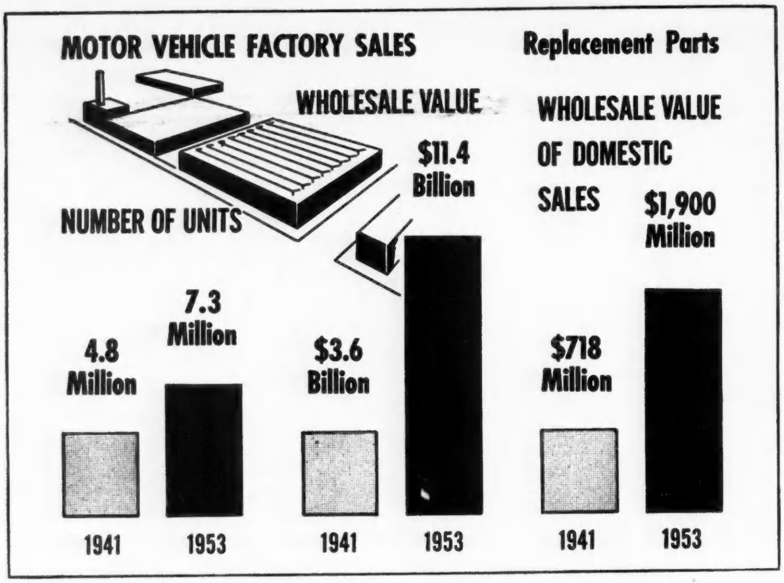
Obviously, this difference of about 1,300,000 cars had a profound effect upon car sales, both new and used, in 1953. On the other hand, the delayed scrappage represents a demand that eventually will come into the new and used car market. This, however, is only a fraction of the total number of cars that are drawing nearer and nearer to the junk yard. According to the latest annual count of automobiles in use, there were as of last July over 11 million prewar passenger cars on the road. In comparison with today's cars these are antiquated vehicles going downhill fast as mechanical troubles increase and owner dissatisfaction mounts.

Passenger cars have a definite place in the life of the average owner. In 1952, American car owners for the first time in a single year traveled more than a half-trillion vehicle-miles. In 1953, they added about 25 billion more miles to bring that year's total to 547,000 million vehicle-miles. Surveys show that 85 per cent of all workers living 10 or more miles from their jobs depend on passenger cars to transport them to and from work. The automobile is an essential means of transportation for these people, as it is for rapidly increasing suburban population. According to the U. S. census, in the 10 years to 1950, suburban areas of the nation's 12 largest metropolitan districts gained 32 per cent in population, as compared with 8.7 per cent in central cities. This growth in suburban population has brought into existence extensive shopping centers with sprawling parking lots to accommodate the family car that has taken on added functional value for shopping purposes.

All of these cars are among the 45 million passen-



This chart shows that the ratio of old-age cars to newer cars, though reduced in the past few years is still too high. Figures for 1953 are not yet available but it is estimated approximately the same ratio has been maintained. With almost 50% of cars 5-10 years and older, the potential market is large.

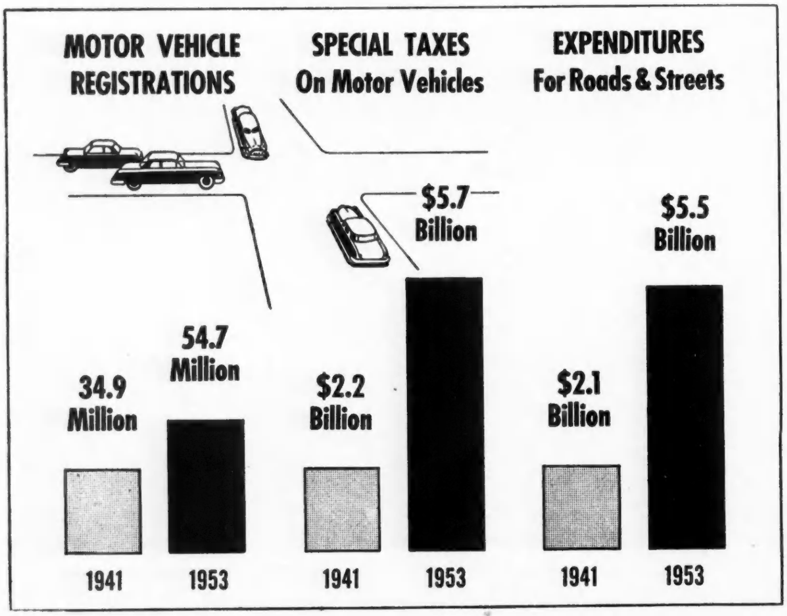


ger cars now in use. Every one of them is due, sooner or later, for replacement. The potential automobile market, however, is greater than that. There are still 17 million American families without cars. Out of every 100 American farms 37 are without passenger cars, and only 44 of every 100 have trucks. At the same time, the nation is undergoing a tremendous population boom. The net increase in our population since 1940 has been nearly 28 million. By 1960, six years hence, it is estimated that it will have grown to 178 million, a net gain of approximately 17 million from the current figure of 161 million which will include about six million new buyers of passenger cars.

After putting all the facts together, it is difficult to develop a pessimistic view of the future of the automotive industry. When 1953 opened, predictions were heard that automobiles would be difficult to sell, yet the industry experienced one of the best years in its history, running second only to 1950, measuring by the number of passenger cars and trucks produced. Indications in the first quarter of 1954 are that this year is likely to prove not so big as last by rather a wide margin. Something of a glut in both new and used cars has developed, creating a traffic in new cars that has been inaccurately termed "bootlegging." This stems from some franchised dealers with inventories backing up, disposing of some of their stock to used car dealers and others, at discounts with the cars turning up in noncompetitive areas where they are sold under list prices.

Obviously, dealers indulging in this sort of business are doing it to their own detriment. It may be that some of them, so long used to operating in a sellers' market, can't adapt themselves to competitive selling, or it may be that a certain few are "dollar hungry." In either case, the "car bootleggers" are showing that there is still a basic demand for cars, one of the so-called "bootleggers" being credited with having sold more than 6,000 new 1954 models of various makes at discounts. Another is said to have contracted with some new car dealers, agreeing to take as much as 40% of their quotas during the next few months. General Motors and Ford have threatened their dealers participating in these deals with possible cancellation of their franchises or other form of penalty. Chrysler Corp. is urging its dealers to cooperate in doing everything the law and public policy will permit to eliminate this so-called "bootlegging" of automobiles. The company points out that such practice disrupts normal and logical distributing, selling and servicing patterns, and can result in disappointed customers as the "bootleg" seller rarely accepts responsibility for the warranty and other services available through authorized services.

This "bootlegging" is a disturbing development, but it has happened before. Again, as in the past, it will be wiped out as some of the "johnny-come-lately" new car dealers, attracted by the opportunity to make a "fast dollar" because of postwar demand managed to get dealer franchises are eliminated and the more solid dealers get out and hustle for sales. There is business to be had, but the competition for the car buyer's favor is going to be keen, as it always has been except for the postwar years to 1953 when people "stood in line" to get delivery of a new car and used cars sold at substantial premiums. Nobody is more aware of this outlook than the automobile builders. As pointed out by one of the leaders in the industry, compe-



tition can be a dynamic force driving the economy to greater heights than ever before, bringing forth better and more attractive products more efficiently.

As a matter of fact, it has been on this ability to progress that has provided the solid base for the growth of the industry. The rate of progress has been so swift that even cars built right after the close of the war are, in many ways, outmoded. The car builders have introduced a number of engineering improvements designed to give increased durability, safety, comfort, ease of handling and better over-all performance. Among the advances have been engines with higher compression ratios, and in some instances, completely redesigned engines, both to provide better performance in relation to fuel consumption, weight and displacement; new automatic transmissions, improved suspension systems, and power steering and power braking. Years ago, there was a saying which eventually became trite, that the Ford company would sell a car in any color provided that color was black. Today's automobile buyers may choose any one of 1954 model cars within a range of as many as 58 colors and 86 two-tone combinations.

Practically all of the car builders have kept abreast of one another in anticipation of the more competitive era that appears to have arrived. So as to produce better cars more efficiently, the automotive industry, in the last four years alone, has spent more than $3.2 billion for new plants and equipment. For last year alone these expenditures totaled approximately $959 million. Acquisition of new machines and the development of new processes have revolutionized the industry's operations. It is believed the peak has yet to be reached but results achieved so far include faster production, closer tolerances, more rigid inspection, some of it automatic, reduced overhead and lowered unit costs. The technological advances since the end of World War II have enabled the automobile builders to hold production costs down notwithstanding rising wages, materials cost, the huge capital investments, and increased taxes. The industry is still some distance away from developing the "push button" factory, but engineering ingenuity, sharpened by a healthy competitive era, will undoubtedly hasten this achievement. Just coming into view in a substantial way is the automatic assembly. (*Please turn to page* 766)

Vital Statistics on the Automotive Industry

	1941	1950	1952	1953 (est.)
FACTORY SALES				
Number:				
Passenger Cars	3,779,682	6,665,863	4,320,794	6,165,000
Trucks and Buses	1,060,820	1,337,193	1,218,165	1,205,000
Total	4,840,502	8,003,056	5,538,959	7,370,000
Wholesale Value:				
Passenger Cars	$2,567,206,000	$ 8,468,137,000	$6,455,114,000	$ 9,150,000,000
Trucks and Buses	1,069,800,000	1,707,748,000	2,319,789,000	2,290,000,000
Total	$3,637,006,000	$10,175,885,000	$8,774,903,000	$11,440,000,000
EXPORTS — NUMBER				
Passenger Cars	98,124	152,544	167,048	180,000
Trucks and Buses	110,787	150,502	162,538	132,000
Total	208,911	303,046	329,586	312,000
REPLACEMENT PARTS AND ACCESSORIES, DOMESTIC MARKET				
Wholesale Value	$ 718,212,000	$ 1,881,700,000	$2,164,300,000	$ 1,900,000,000
MOTOR VEHICLES REGISTERED, DEC. 31				
Passenger Cars	29,630,000	40,334,000	43,811,000	45,035,000
Trucks	5,099,000	8,638,000	9,244,000	9,460,000
Buses	125,000	224,000	240,000	250,000
Total	34,854,000	49,195,000	53,294,000	54,745,000
AGE OF VEHICLES IN USE, AVERAGE				
Passenger Cars	5.5 yrs.	7.8 yrs.	6.8 yrs.	6.6 yrs.
Trucks	5.6 yrs.	7.0 yrs.	6.6 yrs.	6.6 yrs.
GASOLINE CONSUMPTION				
Million Gallons	24,192	35,653	40,585	42,500
VEHICLE MILEAGE				
Million Miles	333,396	458,422	521,741	547,500
EMPLOYMENT IN VEHICLE MANUFACTURING				
Production Workers	571,000	701,600	647,100	770,000
All Empolyees	654,000	825,200	793,500	930,000
PAYROLL IN VEHICLE MANUFACTURING				
Production Workers	$1,239,641,000	$ 2,672,000,000	$2,794,000,000	$ 3,500,000,000
SPECIAL TAXES ON MOTOR VEHICLES				
All Vehicles	$2,185,673,000	$ 4,359,361,000	$5,305,310,000	$ 5,725,000,000
Motor Trucks	572,766,000	1,190,754,000	1,479,821,000	1,525,000,000

Automobile Manufacturers Assn.

Who Is Right?

—Prognosticators of Temporary Adjustment
—Or Forecasters of Deepening Recession?

By HOWARD DuBOIS

At no time since the end of World War II has there been so much confusion about the business outlook. Opinions range from highly optimistic to bleakly pessimistic with not a little political bias thrown in to color these generalities. While former President Hoover takes a roseate view—on what grounds, it is difficult to see-Senator Douglas and the labor union economists have been issuing the direst kind of warnings. These are equally unfounded. The difficulty is that such partisan views tend to obscure the realities of the situation thereby placing a roadblock in the path of businessmen and investors seeking light on what is actually going on in the business world.

The best approach probably is to sift what is important in the present business turndown from what is unimportant. How we are to determine what is important and what unimportant is a problem but for practical purposes it can be accepted that trends in such vital areas as employment, prices, production, personal income, consumption and savings are significant. In each of these basic factors we will see that curent trends do not necesarily indicate the trend even as comparatively near as a half year from now though they undeniably will have a bearing on the immediate future. It is perfectly possible to find both favorable and unfavorable factors at work simultaneously in each of these important economic areas. If one leaves preconceived ideas behind, it is feasible to strike a reasonable balance in order to determine the general direction in which business is moving for the time being.

Having determined the general direction, even though only momentarily, it is then necessary to decide whether special factors may intervene to arrest or halt the trend. In this case, we have a declining trend and it is recognized that the great imponderable that might affect such a trend is future government action. But even if such future action should be indicated, the question then arises as to how effective it might be in stemming a threatened reverse in the economy.

Is such a reverse actually threatened? Let us examine the situation in respect to each of the five great economic sectors which we have mentioned and to try to measure their influence on general business conditions.

Employment. There is much dispute as to the actual size of unemployment figures but, if we are to accept the Department of Labor's latest estimate, we probably have a total close to 3.5 million unemployed. This is a very large figure, indeed, specially when it is considered that the average unemployed individual supports several members of his family as well as himself. What makes this especially significant is that the number of unemployed has been rising very rapidly in recent weeks. In fact, the number would probably be larger were it not for the sound policy of management to spread the work among the largest possible portion of the labor force, cutting down the number of hours worked instead of relying on outright dismissal. Nevertheless, the number of unemployed is growing, and is an important factor in the near-by business outlook.

Looking at the situation more broadly, however, we find that the percent of unemployment to the total civilian force is still quite small, probably not much over 5% of the 64 million available and that this figure would be even lower if consideration were

given to the fact that the number of seasonally unployed is now at its peak and that a large part of it will be absorbed with spring planting and other outdoor activities. On that basis, it cannot be said that unemployment has reached a critical figure. During the 1949-50 slump, the ratio of unemployed to the total civilian labor force was over 7%. Unemployment would therefore have to approach the 4.5-5 million mark before anything remotely resembling an employment crisis would be upon us.

The President has stated that March figures on unemployment would be basic in any decision the government would take to help resist the trend. We will discuss later the measures he is expected to recommend in such an eventuality. In the meantime, let us examine important current trends, other than unemployment.

Production. According to the Federal Reserve Index of physical production, the peak was reached in March of last year when the figure stood at 138. In December, a low of 125 was reached and another decline is indicated for both January and February, though figures are not yet avaiblable. Assuming a decline to close to 122, total production is now about 11% under the high of 1953. This is more or less in line with estimates of the possible decline made last autumn when the potential dimensions of the reaction in business became visible.

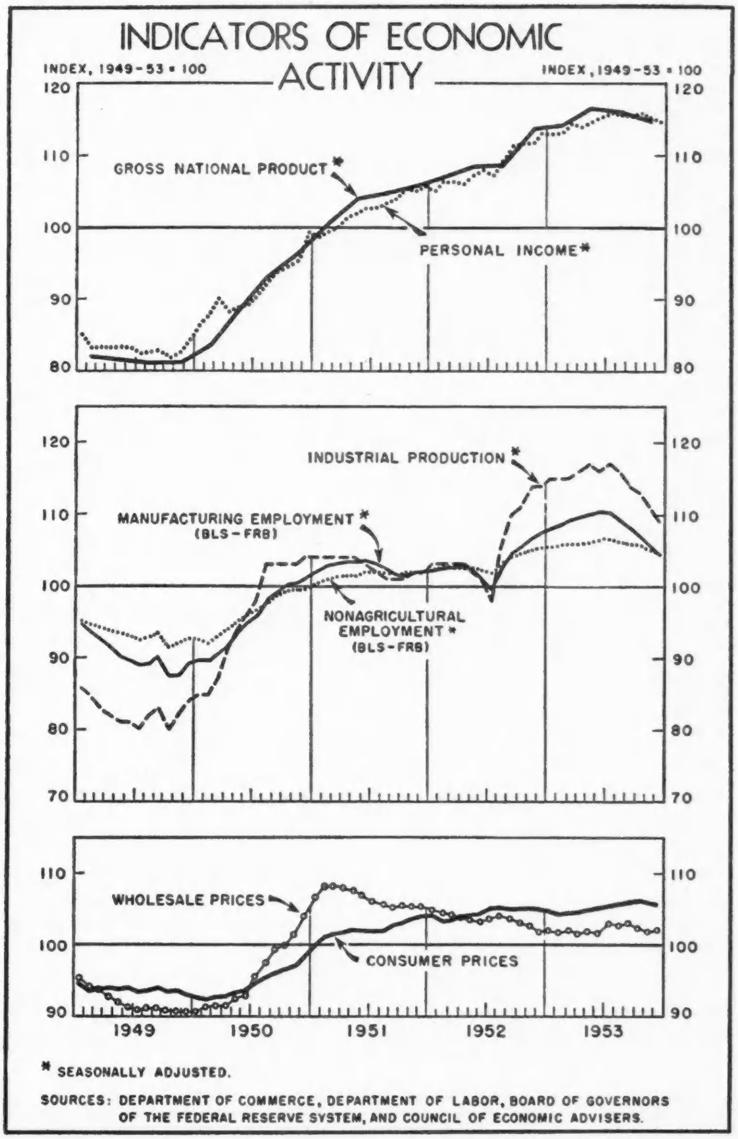
Conditions in two basic industries now bear watching—steel and automobiles. Car loadings also cast a good deal of light on current trends. Steel production at current writing is down to about 70% of capacity against over 100%. There has been a good deal of disappointment at the failure of incoming orders to appear in substantial quantity but general improvement is not expected unless orders from automobile industry pick up in the near future. This does not appear likely for the weeks directly ahead as the auto manufacturers have fairly good-sized steel inventories on hand. Unless demand for cars and trucks breaks out of the present rut, the steel industry will have to depend to a larger extent than in recent years on the heavy construction and building industry.

At present, most obeservers feel that the realities of the situation indicate production of cars and trucks for 1954 of not much over 5.5 million, in comparison with 7.2 million in 1953. This estimate will undoubtedly have to be modified as soon as a clearer idea of the outlook can be had which will be in April-May. All that can be said at the present time is that with a supply of 600,000 new cars on hand and overhanging the market, the outlook does not favor an increase in the sale of cars now coming off the assembly lines.

Car loadings are now down about 12% on the average and illustrate the general trend of busines of all kinds. Obviously, future size of haulings will depend on the volume of production and trade but, based on the comparative slowness of freight in the major classifications of steel, automotive products and coal, there does not appear to be much likelihood that traffic will increase from present levels during the first half of the year. Assuming total freight for 1954 of about 15% below last year, profits would be cut sharply though the more advantageously placed roads should still be able to earn satisfactorily above current dividends. The "marginal" roads probably will be rather severely hit.

Prices. The price situation is rather wobbly. Cuts have been affected in important products such as scrap steel, aluminum, autos, gasoline and synthetic fibres among others. There has also been a tendency to cut prices on household equipment and apparel. Wholesale prices are drifting moderately lower but consumer prices hold.

On the whole, prices have held up better than expected and this still remains one of the more prominent sustaining influences on business. Nevertheless, increasing (*Please turn to page* 772)



What's Behind The ....

Higher Earnings of Individual Companies in 1953?

By WARD GATES

Close analysis of company earnings for 1953 shows that in many cases increases were due to exceptional conditions not likely to be duplicated in the current year. In others, increased earnings were due to more fundamental causes which continue more or less to be operative and which, therefore, are likely to have a sustaining influence despite less active general business conditions.

The investor should discriminate between temporary and basic factors that relate to earnings. Often, past earnings receive more weight than they should and, by the same token, factors likely to influence the future course of earnings are often ignored or neglected. Many investors pay attention only to earnings per share last reported but, by delving a little more closely into earnings statements and other information supplied by the companies, they are likely to attain a more realistic picture and one that may prove more serviceable in determining the investment status of the stock in question.

So far as 1953 earnings were concerned, factors were highly mixed up and reasons for higher earnings varied widely as between individual companies. Some companies benefited from special tax considerations, others from high defense orders; some improved their efficiency of operations, and others benefited from basic expansion.

We have selected eight especially successful companies last year, which illustrate various phases of these earnings factors and show in the accompanying text, how they affected the earnings and whether these influences are to be considered temporary or whether they will continued to determine the outlook for these companies this year.

CARRIER CORP. Net income for the fiscal year ended January 31, 1954 was $6.6 million compared with $4.5 million in the previous year. Earnings were $4.19 a share compared with $4.89 but this was on 520,000 additional shares of stock outstanding. Without this increase in capitalization, earnings would have amounted to about $7 a share. Higher net income was furnished by a $30 odd million increase in sales. Of the $167 million in orders booked, government contracts amounted to about $64 million. In fiscal 1953, the figure was $69 million and it is believed business completed for the government in the current period will be substantially under that of fiscal 1954. Under these conditions, it would appear that the rate of bookings reported in the last statement is not increasing fast enough to compensate for the expected drop in defense business. Expansion of air-conditioning apparatus for industrial and private use, however, is proceding according to expectation but it is probably that total sales, including defense, for fiscal 1955 will not duplicate the rate of climb in evidence for the past few years. At current prices of above 60, the stock would seem to have gone a considerable way in discounting the rise in net income in the past several years. The long-term trend, however, remains favorable owing to the basically strong position of the air-conditioning industry, in which Carrier is the leader and the stock may be retained on a long-term basis.

CINCINNATI MILLING MACHINE CO. Net income for 1953 was $11,049,601, about 15% higher than in the preceding year. A $22 million increase in sales to $150.5 milion brought about the higher earnings, despite a $3.6 million increase in income taxes. Earnings amounted to $12.77 a share compared with $11.14 a share in 1952. Though not stated, excess profits taxes were substantial, with the company in the maximum 70% bracket. Relief from this tax should aid in offsetting the anticipated decline in earnings this year. Unfilled orders were stated at the beginning of the year to be about $83 million, indicating substantial completion of orders during 1953. A year ago unfilled orders stood at $142 million. Unless this gap is filled to a substantial degree, it is likely that operations will decline. The company probably will take advantage of the lull to make needed replacements to facilities which were kept operating at full blast for many years, and to bring to market new products held in abeyance during the period when filling defense orders came first. At the present, the company is concentrating on improving its inventory and current cash position. After the past few years of extraordinary high earnings, a lull can be anticipated. However, the company is a leader in the field and with the cyclical trend toward automatization continuing, as seems indicated for years ahead, the long-range outlook is favorable. At present, the stock is rather high but on a good-sized reaction, the stock could prove a desirable holding.

CONTINENTAL CAN CO. Net income in 1953 was $15,680,953 compared with $14,387,839 in 1952. The annual statement was featured by a $77 million increase in sales to $554,436,992. Income taxes rose to $15,325,000 from $14 million. Undoubtedly, net income was held down through costs incurred from the C.I.O. Steelworkers strike in December which shut down 32 out of the company's 74 plants. As the strike continued for five days into January, further effects probably will be witnessed in the first quarter 1954 report. Earnings amounted to $4.29 a share on the increased capitalization of 3,458,518 shares compared with 3,172,240 shares outstanding the year previous. Without the increase in common shares, the net income reported would have shown about $5 a share. Excess profits tax was small amounting to only $425,000 so that no cushion from this source will be available to offset any possible decline in earnings this year. Furthermore, the company took a credit of $1,150,000 for excess profits tax claim for the previous year and this non-recurring item amounted to about 35 cents a share. Owing to the relatively small amount of defense work, in relation to total sales, the company is in the advantageous position of not being required to make major adjustments to the transition that would normally be called for by a decline in government business. The company has become exceedingly well integrated and has added to new lines of production through acquisition of independent important manufacturers of plastic and paper containers, among them B. C. Betner and Shellmar Products. The field of metal cans for non-food products is of particular interests to the company which has been developing this valuable line. The stock has advanced moderately in the past year and while it has lost some its immediate appeal is nevertheless suited for retention on a long-term basis.

GENERAL DYNAMICS CORP. Final figures for 1954 have not yet been publisherd but it is estimated that earnings amounted to about $7.50 a share, compared with $5.72 a share the previous year. The rate of growth of sales during recent years has been astonishing but is accounted for in large part by revenues received from the government in building atomic-powered submarines, of which the first, the Nautilus, has already been launched. To this source must be added the flow of earnings from the Canadian subsidiary, Canadair, Ltd. Military business from this aircraft producer represents the bulk of its earnings but the subsidary has in preparation plans for commercial adaptation when defense orders fall off. Unfilled orders at the end of 1953 were estimated at $183 million compared with $253 million six months previous, indicating that the company has fulfilled substantial portion of outstanding contracts. However, outstanding orders are sufficient to maintain operations at or close to recent peaks for the first half of 1954 at least. The proposed merger between General Dynamics and Consolidated Vultee should round out an imposing combination in the aerodynamic hydrodynamics and nuclear fields. This is obviously a factor for long-term consideration, however. In the meantime, the company is largely dependent on receipt of government business. While perhaps not as large as in 1953, it should be sufficiently substantial in 1954 to offer strong support to earnings, in addition to which, the lapse of EPT will be strong constructive force. The stock may be retained for long-term speculation.

(*Please turn to page* 770)

8 Companies with High Earnings in 1953

	Sale 1947 (Millions)	Sale 1950 (Millions)	Sale 1952 (Millions)	Sale 1953 (Millions)	1952 Earnings Per Share	1952 Div. Per Share	1953 Earnings Per Share	1953 Div. Per Share	Price Range 1952-1954	Recent Price	Div. Yield
Carrier Corp.	$ 52.9	$ 80.9	$107.7	$164.4	$ 4.89	$ 1.40	$ 4.19	$ 2.00[2]	55⅝-21¾	55	3.6%
Cincinnati Milling Machine	31.2	38.3	128.6	150.5	11.14	3.00	12.77	4.00	58½-31¼	57	7.0
Continental Can	266.4	460.5	476.8	554.4	4.22	2.00	4.29	2.40	59⅝-41¾	59	4.0
General Dynamics Corp.	26.9	41.7	134.5	190.0[1]	5.72	2.25	7.50[1]	3.00[2]	46¼-24½	42	7.1
General Telephone	44.1	70.0	102.0	127.9	3.26	2.00	3.98	2.40[3]	50⅜-34¾	49	4.8
Mathieson Chemical	24.6	91.2	215.6	243.5	2.53	2.00	3.30	2.00	49¼-34½	40	5.0
Radio Corp. of America	312.6	584.4	692.3	853.0	2.10	1.00	2.27	1.20[2]	29¾-21	27	4.4
Winn & Lovett Grocery	69.9	113.4	189.4	214.5	2.36	1.10	2.73	1.32[2]	35⅞-15⅞	32	4.1

1—Estimated.
2—Indicated 1954 rate.
3—Indicated 1954 rate; stockholders vote on 50% stock dividend April 21, 1954.

MUNICIPALITIES FACE FINANCIAL PROBLEM

By "VERITAS"

WAGE TAXES are being eyed by many of the larger cities, chiefly those close to interstate borders and whose business and industry drew payrollers from the nearby state. Pittsburgh, Pa., began collecting a 1 per cent tax this month, hopes to add $6 million to its revenues each year. Philadelphia, Pa., long has had such a tax, Dayton, O., has one going through the legislative mills. In most states, no city may exact payment unless the state legislature approves. States which either have now, or plan to have, income taxes on the higher level, may resist three-way picking at a pay envelope—federal, state, and municipal. It drains the fountain.

WASHINGTON SEES

Because partisan politics seems to rule the roost almost everywhere else there is consolation and hope to be found in the fact that the Joint Committee on the Economic Report is moving to find sound solutions to the problems that are here, and are ahead, without special consideration of the values that will accrue to either political organization.

The committee begins by ditching semantics and facing the facts: there has been a decline in business and its effects are neither softened nor checked by cushion terms. Senators and representatives of both parties agree on that. And, what is equally important, they are close to agreement on how it can best be handled.

The republican members find the Eisenhower Program an excellent plan of action. Democrats are following a principle that runs through all of the President's messages: sponsorship by an opposing political party doesn't remove merit. The President has espoused several of the basics on which the democrats built their administrations for two decades. He has told his party, in effect, to take it or come up with something better.

The joint committee members are certainly not far apart on the need for reduced taxes to increase purchasing power and to give business an economic shot in the arm. Both parties have recognized that a balanced budget, however desirable, is not within reach and it is futile to dream of one. Republicans and democrats have placed public works programs in their proper perspective: a slow-moving, long-range idea; not so much a palliative for a temporarily pained economy as a hypo to carry through a serious recession.

CITIES can make out a good case for the need of tapping new sources. Their costs of operation are largely fixed: school and other payrolls, construction and maintenance of physical plant. And salaries and wages have gone up rapidly while each mention of higher property taxes brings wails of protest. To the extent that wage taxes hit residents of other states, they are vigorously condemned, and stoutly supported. The taxing authority points to the fact that utilities are supplied, and protections extended to all who enter its borders, that all should pay. Many congressmen don't go along, contend it is pyramiding taxation and there are bills now ending to make wages taxes effective only as to persons domiciled within the levying state.

BELATEDLY, it has been decided to go deeply into the whole subject of executive agreements to determine to what extent they actually, as distinguished from theoretically, encroach upon the domain of international treaty. The Bricker Amendment debate raised questions of such magnitude as to suggest clear and present peril to domestic law, federal and state. But there was a paucity of illustration, much of it far-fetched and conjectural. Yet the germ of danger was there and the senate recognized the fact in its close vote on the George Amendment. After the foreign relations committee completes its study and reports, congress will be in even more mood to set up guideposts. Not the Bricker plan in its original form, however.

DEFLATION of a political issue is far less important than the setting at ease of the public mind when it is disclosed that subversion in the federal government employee ranks is almost an unknown quantity.

As We Go To Press

The outcry has been raised anew against the practice of congress to award committee chairmanships solely on the basis of length of service, but it will get exactly nowhere. Motivation this time was found in the fact that Senator Langer of North Dakota, by reason of his judiciary chairmanship, was in a position to subject Chief Justice Earl Warren to insulting delays along the route to confirmation by the senate. Each year there are incidents which give rise to insistence that committees pick their own top officer, but the sponsorship always comes from the junior members. And they are outnumbered. Each congressman, however much he may gripe at the domination of his chairman, sees himself as a potential chairman, come a few years or a change of administration.

Except for the fact that experience is imputed to every chairman by the very fact that he is a senior member, there is little justification for the system. Actually, some committee members have been in congress longer than the chairman of a committee on which they serve; they are top men on other committees which they consider of greater importance. That is especially true of the senate. While a good case might be made out against the Langers, a review of top-spot holders generally will impress the fact that most of them are acceptable on the basis of performance.

Aiken (Vermont) on agriculture, Bridges (New Hampshire) on appropriations, Saltonstall (Massachusetts) on armed services, Milliken (Colorado) on finance, Smith (New Jersey) on labor, Carlson (Kansas) on post office and civil service, and Martin (Pennsylvania) on public works, probably would win their chairmanships if the field were thrown open, ballots taken. On the house side, Hope of Kansas, heading agriculture, and Wolcott of Michigan on banking and currency, lead their respective groups in every sense of the term.

There are times when the White House might prefer that somebody other than Reed of New York, headed ways and means committee, that Taber of New York, might step down from appropriations; also that Senator McCarthy might find interests elsewhere. But if the situation gets bad enough, a determined committee can slap down its chairman. That was shown in the matter of Langer. His colleagues said, in the case of the Warren nomination: "This far, and no farther!" That weapon, not displacement of chairmen, will continue to be effectively used.

Airlines are about to harvest grief. They have irked the gentler sex by the suggestion that glamour goes through the hatch when a woman reaches the age of 32 years -- she's no longer qualified by reason of appearance and personality for the good-will building chores of an air line stewardess. The moguls of air travel are beginning to hear protests. It's hoped that not all the women over 32 years of age take this as a personal affront, for Census Bureau figures show there are about 36 millions in that category. Cosmetics makers, beauticians, purveyors of women's wear and others who cater to the woman who wishes to stay young have a dollar-and-cents stake in it. If an arbitrary age marks the passage from glamor to the social back seat, an air of resignation or "what's-the-use" may enter. Maybe the girls over 32 may not wish to clutter up commercial planes with their scare-crow looks.

While the age of aviation will not come to an abrupt end by this development, the incident leads to interesting management reviews. Most newspaper advertisements either fix a maximum age of 35 for clerical workers, or ask for applications in writing "including recent photograph." However, women may take heart in the fact that in the labor market generally feminine age has been rising. The average women worker now is 38 years old. This includes many lines of business in which "glamor" is not a requirement. Fact of the matter is that the airline which set up the stop sign at 32 years has only 69 stewardesses among its 1,100 employed who are over-age in this sense. Experience is that

more stewardesses detour to the role of home-maker than wait for Father Time to gather them in occupationally at the age of three-score-and-two.

Organized labor wonders if it is stepping into a trap by "screaming" about inequalities in federal labor-management laws, present and projected. If the answer is yes, the unions will reverse their lobbying tactics and the turnabout will be a complete one. George Nelson, legislative director for the Machinists, puts it this way: "It's the Taft formula used so successfully in Ohio four years ago. It goes like this: (1) Make labor hopping mad. (2) Get Unions to scream their protests. (3) Use Union screaming to convince the public that labor is trying to seize power.

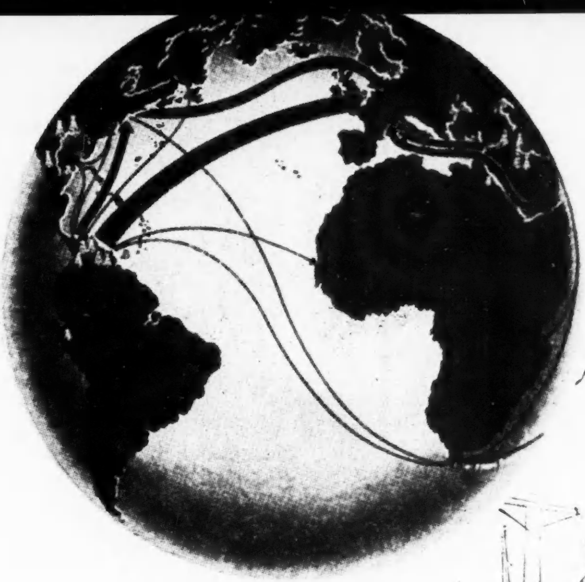
Nelson is convinced the Administration is attempting to needle labor into the screaming tactic. He cites the "back to work during strikes" proposal which he reads into the President's labor message, and he's willing to bet, he says, that "GOPoliticians figure the louder labor screams, the more farmers will begin to sympathize with Ike." Next item of evidence presented is the President's opposition to raising the 75-cent minimum wage at this time--playing off the unions against the small businessmen, as the laborite sees it. The counsel that is given doesn't exactly mesh with the line previously followed. Now it is: "This year, labor is up against the slickest professionals in politics. Stay away from their traps."

Ways and Means Committee action proposing reductions in excise taxes represents no serious breakaway from the White House taxation line either in terms of revenues affected or basic policies. Total take from this type of levy is around $10 billions. Commodities on which one-half this amount is collected -- tobacco, liquor, gasoline, automobiles and parts -- will remain on the schedules as at present, according to the committee plan. By levelling others off at not more than 10 per cent, a very small part of the total, relatively, will be changed. And with respect to policy: When President Eisenhower vetoed a movie admission excise repealer last year he asked congress to review the entire subject with an eye to downward revision.

It was a mistake to have permitted Scott McLeod, State Department security and personnel officer, to make a series of extremely partisan political speeches under the auspices of the Republican National Committee. He had been advised against doing so; told he might be violating the Hatch "clean politics" act. But the State Department held otherwise, and forced President Eisenhower's hand. Without mentioning the obvious fact that Ike had stepped in following a flood of criticism, the Department took McLeod's powers over personnel away from him. The State Department is one of the government's most sensitive agencies from the standpoint of personnel; his job was to "clean up the mess." Democrats said his public position and his political attitudes couldn't blend. Ike, it seems, agreed.

Those who say all official Washington quakes at the mention of "McCarthy," would do well to weigh this action in attempting to reach the real truth. McLeod is an aggressive type and is tagged a McCarthy man. There is great mutual respect between the two of them, open praise going both directions. To depose him in the ranks was an invitation to the Wisconsin Senator to produce another of his "coddling" charges, might also be interpreted a slap at the GOP committee. In full realization of those facts, the President acted.

GOP Chairman Leonard Hall put the committee clearly on record: pursuit of subversive influences in government is praiseworthy; attacks on others who likewise are fighting communism -- Gen. Zwicker specifically -- cannot be condoned, can't help the republican party. President Eisenhower went as far as any reasonable person should expect: he confessed error of procedure on the part of the army -- manifest from the start; he praised General Zwicker by name, by way of leaving no doubt as to the target of his comments; and he put beyond the pale, any committee action involving "personal humiliation." Ike broadened the latter point to cover the entire Executive Branch of the government.



Abnormal Conditions In

World Commodity Markets

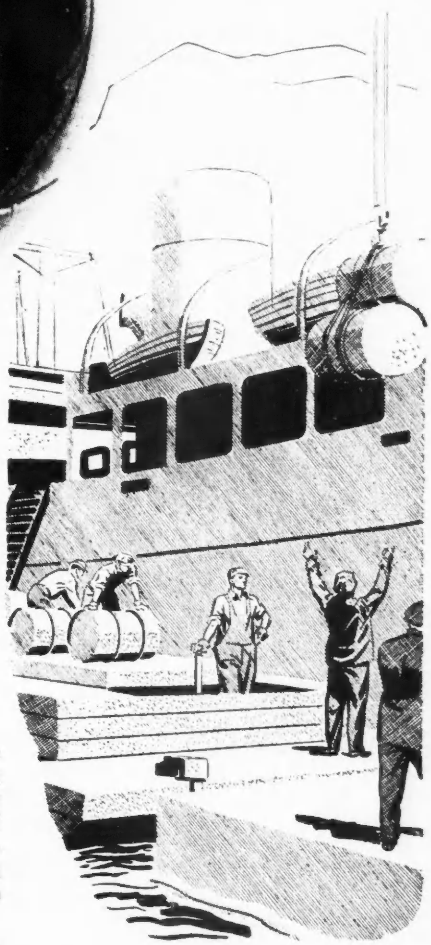
By THOMAS L. GODEY

The United States may play a decisive role internationally but this does not spare it from often being victimized in the world markets. This is very well illustrated in the commonplace attitude of foreign nations which have no hesitancy, when conditions favor them, in charging us all the traffic will bear but raise a cry to the heavens when prices drop and we, in turn, have an advantage.

An outstanding example of such tactics is coffee. Since last summer, the price of coffee has soared almost 30 cents a pound—on reports of frost damage to the 1954 Brazilian crop which will not begin to be harvested until next July! The increase in coffee prices since prewar has been over 800 percent.

The United States, the principal consumer, already was paying fancy prices for its coffee even before the runup of the past few months. World supplies in recent years have been smaller than prewar, although the trend of production has been upward in recent years. And, there is no doubt that frost has caused considerable damage to the prospective 1954 Brazilian crop.

However, although this is piously denied by many in the coffee trade, there is more than a suspicion that the damage has been overestimated and that Brazil has considerable hidden stocks of coffee. One thing is certain, that Brazilian interests as well as domestic speculators have had a big hand in running up the price of coffee on a shortage that hasn't developed yet. It is interesting to note that on Shrove Tuesday, a holiday in Brazil, the price of coffee on



the New York futures market dropped sharply – so it was reported rather generally – to the absence of Brazilian buying interest!

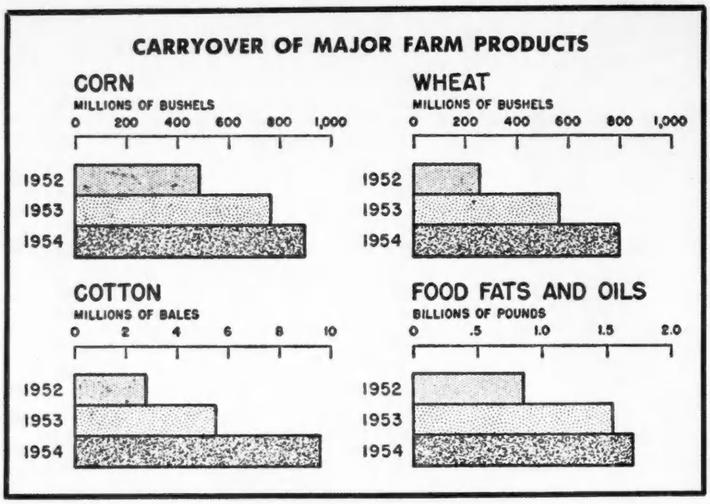
There already is evidence that coffee consumption is declining, and this latest attempt of producers to gouge the American public undoubtedly will boomerang. A reduction in per capita consumption of 10 to 20 percent, or to near the levels prevailing before producing interests put on their propaganda campaign to induce us to drink more coffee, would result in backing up of supplies of coffee and substantial price contraction.

High Tea and Cocoa Prices

Although supplies of tea are large as a result of rising production, prices have been run up during the past few months in the expectation of substantial switching from coffee to tea. For some years now, our per capita consumption of tea has been stabilized at the reduced level of about half a pound, and there is little likelihood of this increasing enough to notice since we just are not a nation of tea drinkers.

Even though business activity and national income here are declining, with unemployment rising until recently at least, foreign suppliers of commodities to the American market appear to believe that there is no limit to the prices we will pay.

The rise in the price of cocoa beans since prewar



has been almost as sensational as the rise in coffee, and with no more justification.

World production has been running slightly above prewar levels while prices are eight to nine times prewar. The British Marketing Boards control the West African crops, the major source of the world supply. The Boards dole out supplies to the consuming countries, meanwhile keeping a running fire of comment on how production has shrunk as a result of plant diseases. Damage from plant diseases undoubtedly has increased, but it has been greatly overexaggerated in order to hike prices. The Brazilians, major producers of cocoa in this hemisphere, appear to play ball with the British in their marketing operations.

Recent reports indicate that successful substitutes at last have been found for cocoa beans. It also is reported that chocolate manufacturers are substituting vegetable fats and butter for cocoa butter, with a resultant sharp drop in cocoa bean requirements. News of these developments already has resulted in turning cocoa prices downward, following a spectacular rise since last Summer.

A Lifesaver in Synthetic Rubber

Our synthetic rubber plants, built of necessity during World War II, have been a thorn in the side of British natural rubber producing interests. Without the competition of synthetic rubber at a reasonable price, the United States undoubtedly would have to pay far more than it did for the huge stocks of natural rubber in the strategic stockpile. Although we hold no brief for government ownership and operation of synthetic rubber facilities, it is interesting to note that the pressure for disposal of the plants to the private trade has emanated principally from British natural rubber producing interests. They even have gone so far as to set up a propaganda organization in Washington and flood newspaper editors with stories indicating that the rise in Communism in the Far East is inevitable unless the United States adopts measures designed to boost the price of natural rubber. Currently, rubber production is running far above prewar.

The current commodity situation in the United States is extremely anomalous. Although industrial activity—as measured by the Federal Reserve Board index—has fallen about 10 percent from the all-time high recorded early last Summer, the general commodity price level—as measured by the Bureau of Labor Statistics wholesale price index—has registered practically no change in the interim.

In all previous history, there is nothing to compare with this situation. Normally, a decline in business of the magnitude recorded during the past eight to nine months has been accompanied by a substantial lowering of the price level. Indeed, from inflationary heights of former postwar periods, declines in prices tended to far outrun declines in business when the reaction set in.

It is important to note, however, that a considerable part of the stability in the general price level that has prevailed during the past eight to nine months—and in fact since the end of 1952—is completely fictitious. Prices of a large number of semi-manufactured and manufactured products are used in the construction of the BLS wholesale price index, and it has become increasingly difficult in recent months to obtain from manufacturers the prices at which they actually are selling these products.

In many instances, only list prices are quoted although it is a matter of common knowledge that price shading has become widespread under the highly competitive conditions accompanying the transition from sellers' to buyers' markets. There even have been numerous price "increases" announced on various products which actually have been declines since "extras"—previously added into the bill—now are included at a lower overall figure.

Somewhat similar chaos in pricing often has occurred in the past during periods of economic slowdown and mounting competition for business, although it is doubtful that the fiction of price maintenance ever has been quite so widespread. Manufacturers, hoping for near term improvement in general business activity and lessening of competition, obviously are endeavoring to avoid open price reductions that might be very difficult to rescind later.

World Price Trend Downward

Actually, of course, the overall trend of commodity prices in the United States—as in most of the rest of the world—is downward and has been downward for many months although the rate of decline has been small.

During the calendar year 1953, the trend of the commodity price level in the majority of foreign countries—according to United Nations data—was downward, continuing the decline begun toward the latter part of 1951. In some countries, of course, prices registered advances but these were a function of currency instability. In Switzerland, where the currency is considered the most stable in the world, a decline of three percent was registered during the past year.

For the world as a whole, outside the United States, the decline in the general commodity price level during 1953 appears to have been of approximately the same magnitude as in Switzerland.

In the United States, where wholesale commodity

price level officially rose by approximately half of one percent during 1953 as a result of the delusion stemming from manufacturers' unwillingness to quote actual selling prices, there probably was an actual overall decline of two to three percent.

Officially, the general price level here now is slightly higher than at the end of 1953 although there is little doubt that, if the actual selling prices of manufactured products were obtainable rather than the fictitious prices being reported, the trend would be downward. Abroad, insofar as can be ascertained, the tempo of decline has been accelerated slightly since the first of the year.

At the time of writing, the BLS wholesale price index stands at 110.6 percent of its 1947-49 base. The shift to a post World War II base for the index effectively conceals to the general public the fact that the price level is close to an all-time high, only 5 percent under the extreme early in 1951—following the wide scramble for supplies after the outbreak of the Korean War—and slightly higher than the peak attained in the immediate post World War I inflation in 1920. On the 1926 base, considered as "normal" for many years, the BLS price index is approximately 175!

The Farm Products Nightmare

Supplies of farm products are large and burdensome, but you wouldn't know it from the behaviour of farm products prices.

Recently, in the face of prospects for the largest end-season carryovers in years, prices in cottons and wheat, along with a number of other crops, have moved upward. This action of farm products prices, which is especially remarkable in view of the general business downtrend and mounting unemployment, has been primarily the result of the creation of artificial shortages through heavy impoundings of crops under government loan programs.

Support prices bear no relationship to the actual value of the commodities or the cost of production but are based on a rather rigid, politically-conceived formula known as "parity" which was especially designed to give farmers at all times abnormally high prices for their products.

Government price supports for the major crops will remain at extremely high levels for another year at least. Even if sliding scale supports are adopted thereafter, the loan levels will be reduced very slowly.

For the benefit of farmers, numbering about 15 percent of the total population, the majority of people in the United States are being penalized severely by being forced to pay uneconomically high prices for foods and other farm products. Political rather than economic considerations are responsible, of course, for continuation of farm policies that were adopted 20 years ago as emergency measures. Washington is preparing to take on an even bigger load of crops for price support purposes and meanwhile is endeavoring rather fruitlessly to find places for unloading some of the present huge surpluses.

USDA Secretary Benson's recent action in lowering support levels for butter, where he had some discretion, was a step in the right direction but only a step. As a result of high level support programs, per capita consumption of butter has dropped from the prewar average of about 17 pounds to only approximately 8 pounds at the present time. Consumption of a number of other farm products has declined as a result of artificially high pricing.

It is probable that, barring a serious and prolonged general business recession, government support programs for farm products will be modified only slightly downward. In the event of a serious recession, accompanied by worldwide deflation, Washington undoubtedly would be forced to abandon or modify drastically its farm price support programs.

Industrial Raw Materials Down

Regardless of what may have been happening in other commodity areas, prices of industrial raw materials have been and still are in a downward trend.

Scrap steel at Pittsburgh has dropped from $45 a ton last Summer to $25 at present and may ease further. The nonferrous metals as a rule have been under pressure, although copper has done a loop-the-loop as a result of the coyness of the Chileans in coming to an agreement on disposal of their huge surpluses of the red metal.

World wool prices, firm during the Fall and early Winter as a result of active Russian buying at the Australian auctions, recently have displayed some irregularity. Lumber prices, although still abnormally high, have been easing rather steadily for the past few months as a result of the contraction in residential construction.

Rubber has declined to the lowest in many months. Cattle hides have drifted lower, with some descriptions selling at or below prewar levels. While raw cotton prices have been comparatively firm as a result of governmental activities, prices of cotton yarn and cloth have declined. Wool goods manufacturers have reduced prices on some cloths.

And so on. Here and there, a little firmness has developed in prices of (*Please turn to page* 760)

Trend in World Prices

	Unit	1951 Mid-June	1952 Mid-June	1953 Mid-June	1953 Jan. 20	1953 Jan. 27	1953 Feb. 3	1954 Jan. 12	1954 Jan. 19	1954 Jan. 26	1954 Feb. 2
COMMODITY PRICE INDICATOR:											
All items	1952 = 100	126	99	89	94	93	93	97	96	95	96
Food	1952 = 100	114	100	93	96	96	96	113	111	110	111
Fibres	1952 = 100	167	99	87	80	80	81	89	89	89	89
Metals	1952 = 100	99	100	80	94	93	93	77	74	75	75
Other items	1952 = 100	131	96	96	109	106	106	102	103	102	101

London Economist Index.

1954 Outlook for BUILDING Industry

—No. 1 of Our Special Studies of Major Industries

By H. F. TRAVIS

The building and construction industry has remained surprisingly strong in the face of a general turndown in business. Whether builders are closing their eyes to the possibility of a recession in their field later on or because they honestly cannot see any basis for pessimism, they are at any rate for the present much more active than, say, steel or auto manufacturers.

The F. W. Dodge Corp., whose figures provide the factual basis for Government and all other broad estimates of construction activity, reported the Jan.-Feb. total of building and engineering contracts awarded in the 37 Eastern states reached an all-time peak for any year's opening months. The Dodge contract total for the period was $2,373,000,000, a rise of 11% from the figure for Jan.-Feb. 1953. Feb. 1954 was 20% higher than Feb. 1953. For the two months of this year awards for non-residential building added up to $942,000,000, a 20% increase over the corresponding months of 1953. Residential awards at $971,000,000 were 10% ahead of the year-ago period. Heavy engineering contracts (public works and utilities) at $460,000,000 were 4% higher than in January of last year.

Current Conditions

This record for January's forward commitments for new construction will likely surprise those people who have been expecting a marked decline in building and engineering activity this year. Added to the carry-over from the large contract of last year's fourth quarter, January's contract volume promises a very high rate of construction activity during the current quarter.

One more statistical note: This year the January seasonal drop from December's contract total was only 11% compared with a 27% drop from December, 1952, to January, 1953.

It must be borne in mind that 1953 was an all-time record construction year, adding up to $34,800,000,000. Moreover, we must not lose sight of the fact that construction plans in January, 1953, were made in an atmosphere of general optimism and prosperity. This year, on the other hand, fears of a recession are prevalent.

Here and there, however, a note of caution is sounded. As an example, orders received by lumber mills in the week ended February 20 were 5.2% below the week last year. Production in the week was 6.8% under 1953 while shipments were down 12.7%. Orders in the week were 13% above production but shipments were 0.1% below. Unfilled orders of the mills amounted to 36% of stocks.

Much of the talk in the business these days has to do with "the higher cost of doing business' and "highly competitive markets." Thus, makers of floor-covering, paint and glass products anticipate a peak volume, but are less optimistic about profit margins. Purchasers are in no hurry to buy, and

quality and value are becoming increasingly important as buying considerations.

It's noteworthy that not much of a decline thus far has shown up in many construction-cost indexes. The Federal barometer of all building costs stood in January (last report) at 122.4, only 0.7 below the record peak reached last Summer and 1.6 above a year ago. However, the official indicator of highway construction cost, at 131.8 in December, was roughly 7 points below its level of both last March and December, 1952. And a recent 1954 checkup found that for 15 cities in the Greater New York area, a yardstick of non-residential building cost now shows 219. A year ago it was 243. This may be ascribed to the fact that builders are taking substantially less profits.

Statistical Data on Leading Building Supply Companies

	Earnings Per Share 1951	1952	1953	Dividends Per Share 1951	1952	1953	Recent Price	Div. Yield†	Price Range 1953-54*
Alpha Portland Cement	$ 4.39	$ 4.74	$ 4.77	$ 3.00	$ 3.00	$ 3.00	45	6.6%	54½-40
American Encaustic Tiling	1.15	1.07	1.05	.55	.55	.60	8½	7.0	8⅝- 6⅞
American Radiator & S.S.	2.16	1.78	1.90[2]	1.50	1.25	1.25	15	8.3	15⅞-12¾
Carrier Corp.	3.88	4.89	4.19	1.00[1]	1.40	1.85	53	3.5	54⅜-34½
Celatex	3.69	1.54	3.15	1.50	1.50	1.50	18	8.3	19¾-15½
Certainteed Products	3.12	2.24	2.42	1.00	1.12½	1.00	14	7.1	15⅝-11½
Crane Co.	6.64	3.96	3.40[2]	2.60	2.25	2.25	30	7.5	34⅛-25⅛
Devoe & Raynolds "A"	3.42	2.49	3.06	2.00[1]	2.00	2.00	23½	8.5	24⅜-18¾
Flintkote	4.11	3.61	3.73	3.00	2.50	2.00	28½	7.0	32 -25⅛
Holland Furnace	2.02	1.45	1.00[2]	2.00	2.00	1.00	12	8.3	22 -10⅝
Johns-Manville	7.75	7.14	6.20	4.25	4.25	4.25	69	6.1	74⅜-57¾
Lehigh Portland Cement	2.90	3.07	2.95[2]	1.20	1.20	1.20	28	4.2	34 -25⅜
Lone Star Cement	3.14	3.19	3.17	1.50	1.65	1.75	31½	5.5	34¼-26
Masonite	2.81	2.49	2.72	1.50	1.00	1.00	18	5.5	25⅞-16½
National Gypsum	3.12	2.84	2.71	1.40[1]	1.40[1]	1.40[1]	24	5.8	24⅛-17⅝
Otis Elevator	4.63	4.19	4.65[2]	2.50	2.50	2.50	47	5.3	48⅜-37⅝
Pabco Products	2.22	1.00	.90	.60	.45	.25	15	1.6	16 -11½
Penn-Dixie Cement	4.58	4.44	5.57	2.00	2.00	2.30	40	5.7	41¾-30½
Pittsburgh Plate Glass	3.44	4.07	4.45[2]	2.00	2.00	2.25	56	4.0	59¾-44
Pratt & Lambert	4.67	4.08	4.34	3.00	3.00	3.00	43½	6.8	44¾-37½
Rubberoid	7.23	6.19	6.67	3.50[1]	3.50[1]	3.50[1]	65	53.	65½-50½
Sherwin-Williams	7.23	7.12	7.29	3.50	3.50	3.75	83	4.5	84½-65
U. S. Gypsum	12.05	11.55	11.88	7.00	7.50	7.00	128	5.4	129¾-103¾
Walworth	1.75	1.21	.82	.90	.55	.30	7	4.2	9 - 5
Yale & Towne	4.61	4.77	4.80[2]	2.50	2.50	2.50	38	6.5	39¼-31
York Corp.	2.47	2.26	2.46	.87½	1.00	1.00	23	4.3	24⅝-16¾

*—To February 23, 1954. †—Based on 1953 dividend. 1—Plus stock. 2—Estimated.

Alpha Portland Cement: Ranking third in the industry, the company's cement capacity is the largest in barrels per share. Thus, the stock has high leverage. (A)

American Encaustic Tiling: While lapse of EPT benefits earnings importantly, company's record is erratic. Hence, stock is speculative. (C)

American Radiator & S.S.: Company is largest in highly competitive heating and plumbing field. Replacement demand and product diversification lend some stability to earnings. (A)

Carrier Corp.: The leading company producing air conditioning equipment exclusively. Products cover wide range. Large expansion program. (A)

Celotex Corp.: Although sales of insulation fluctuate more widely than most building materials, company produces roofing and other products. Company in strong trade position. (A)

Certain-teed Products: Demand for company's asphalt roofing and gypsum products is supported by replacement needs, although there are larger competitors in field. (B)

Crane Co.: With moderately lower earnings indicated for last year, new titanium plant will come into production this year, with capacity operations in 1955. Policy of product diversification. (A)

Devoe & Raynolds "A": Complete line of paints and enamels, largely advertised brands. New products and home maintenance stabilizing factors. (A)

Flintkote Co.: Company has better than average diversification in asphalt and asbestos products, as well as certain specialties. (A)

Holland Furnace: Increasing competition points toward lower earnings, with little, if any near-term improvement. Thus, dividend maintenance is not assured. (C)

Johns-Manville: In spite of company's outstanding position, profit margins have narrowed, resulting in moderate earnings decline. Progressive research and new products favor longer term outlook. (A)

Lehigh Portland Cement: Second in size, with 15 well located plants. Dividend coverage is wide, but capital program may limit increased payments. (A)

Lone Star Cement: Largest of the big companies, with 30% of capacity in South America. New domestic plants added late last year.

Masonite Corp.: Competition from Scandinavian hardboard restricts profit margin, but new efficient California plant will aid earnings this year. Dividend yield fair. (A)

National Gypsum: Sales expected to decline moderately, but with increased operating efficiency and lapse of EPT net results should improve. (A)

Otis Elevator: New automatic elevator enhances outlook. Substantial backlog of orders indicates good operating rate. Stability and growth lend appeal. Consecutive dividends since 1903. (A)

Pabco Products: Serves rapidly growing territory of Pacific Coast. New management achieving improved results. Dividend recently resumed. Earnings expected to rise this fiscal year, but stock is speculative. (B)

Penn-Dixie Cement: Earnings in 1954 expected to approximate good results of last year. Cement demand continues strong. Stock has advanced substantially in past year. Yield is satisfactory. (B)

Pittsburgh Plate Glass: Diversified operations in building, automotive, chemical and paint fields point to good long term growth prospects. Profits expected to increase in 1954. (A)

Pratt & Lambert: Has record of stability in the paint industry. Prospects for current year relatively favorable. Dividend yield generous. (A)

Ruberoid Co.: Maintenance and replacement sales an important factor. Expanding operations should benefit net. Consecutive dividend payments from 1889. Cash and stock dividends yield good income. Stock split 2 for 1. (A)

Sherwin-Williams: World's largest paint producer. Shares are of good quality, suitable for long term growth and fair yield. (A)

U. S. Gypsum: Dominent in its field. New Canadian plant will add to revenues. Probably will again pay $7.00 in dividends. Low cost producer. Worth holding as a sound issue. (A)

Walworth Co.: Moderate earnings decline anticipated as sales are expected to sag. Competition is keen, stock is highly speculative. Dividend may not equal 30¢ disbursed in 1953. (C)

Yale & Towne: Operations improving. Diversification enhances outlook. Dividends, including extra, may equal $2.50 paid last year. Retention on warranted. (A)

York Corp.: Substantial backlog of business indicates a gain in net for current year is likely. Growth prospects in air conditioning field lend appeal. (A)

Rating (—) (A)=hold: (B)=neutral (C)=unattractive

New home-market customers are increasing at a rate of 2,500,000 per year. Owner-occupied houses are more numerous than rented premises in this country today, according to the 1950 figures of the Census Bureau, which showed an increase from 43.6% owner-occupied in 1940 to 55% in 1950. That figure doubtless has risen substantially since the last census.

Effect of Population Growth

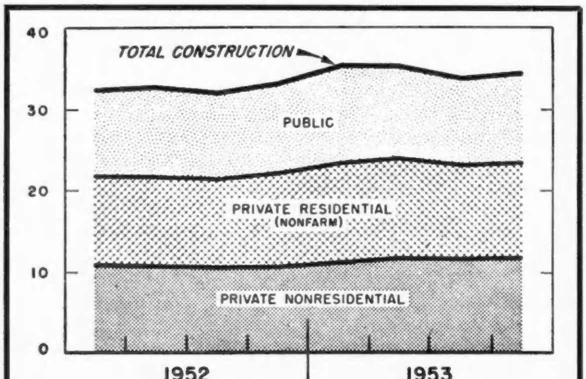
Basic expansion factor is population growth. Since the end of World War II there have been 30,000,000 new babies and the net population gain has been 21,000,000 persons. Population growth always has a direct and powerful influence on construction demand. Although some 8,200,000 new non-farm dwelling units were completed in the past eight years, there seems to be a continuing demand for a million new housing starts per year. Increasing size of average families and greater all-round prosperity have already resulted in demands for larger housing units and for dwellings of higher quality.

Population increase gradually creates insistent demands for enlarged and improved community facilities. A backlog of school-building needs existed at the end of World War II and, with the exodus to the suburbs, the shortage of such facilities has been aggravated. Rapidly increasing school-age population has augmented the demand for school rooms.

Thousands of American children are attending class on a half-day basis because of this situation. In many communities the problem has assumed the nature of a crisis. In other towns the situation would be insoluble but for parochial schools. It's a fortunate town that is not nagged by this problem these days.

True, an unprecedented school-building boom has been going on since 1948, but even this record pace of building new schools is not keeping step with the ever-increasing demand. And indications are that this demand will be accelerated during the next several years.

The rush to the suburbs by city apartment dwellers has turned farm and meadowland into bustling new communities. The Levittown type of development in eastern Pennsylvania, where United States Steel Corp has erected a $400,000,000 mill, and Long Island is mirrored on a smaller scale all around the country. These developments involve more than



QUARTERLY TOTALS, SEASONALLY ADJUSTED, AT ANNUAL RATES

Comprehensive Statistics Comparing the Position of

Figures are in million dollars, except where otherwise stated.	Carrier Corp.	Celotex Corp.
CAPITALIZATION:		
Long Term Debt (Stated Value)	$12.5	$4.6
Preferred Stock (Stated Value)	$1.8	$5.1
No. of Common Shares Out. (000)	1,404	879
Total Capitalization	$28.4	$10.6
INCOME ACCOUNT: Fiscal Yr. ended	10/31/53	10/31/53
Net Sales	$164.4	$59.9
Depr., Depletion, Amortization, etc.	$2.1	$1.8
Income Taxes	$12.4	$3.3
Interest Charges, etc.	$.8	$.2
Balance for Common	$5.8	$2.7
Operating Margin	11.3%	10.4%
Net Profit Margin	3.7%	5.0%
Percent Earned on Invested Capital	11.8%	8.8%
Earned Per Common Share*	$4.19	$3.15
BALANCE SHEET: Fiscal Year Ended	10/31/53	10/31/53
Cash and Marketable Securities	$13.1	$5.6
Inventories, Net	$26.5	$5.8
Receivables, Net	$20.3	$7.3
Current Assets	$67.3	$18.8
Current Liabilities	$35.7	$5.7
Working Capital	$31.6	$13.1
Fixed Assets, Net	$19.7	$23.3
Total Assets	$100.0	$44.6
Cash Assets Per Share	$9.36	$6.44
Current Ratio (C. A. to C. L.)	1.8	3.3
Inventories as Percent of Sales	16.1%	9.6%
Inventories as % of Current Assets	39.4%	30.8%
Total Surplus	$35.5	$28.3

n.a.—Not available.
*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

mere school-building. They entail all the amenities to which Mr. Average American is accustomed. They mean such community facilities as water supply, electric utilities, hospitals, churches, recreation centers and the like. Pointing up this need, the electric utilities industry has announced plans to double its capacity within a decade.

Freed from the restrictions growing out of the Korean war early in 1953, commercial building moved ahead with a 50% volume increase last year and is likely to increase further in 1954. Office buildings, large-scale commercial developments in central urban areas and suburban shopping centers are still in demand.

Thanks to the motor car, Americans are taking to the suburbs. To provide the amenities of life for these millions of car-driving, home-owning folk, shopping centers are being built in every section of the land. Almost one-third of the 153 now in operation were opened last year. If those slated to open this year are able to adhere to their program, more than 50% of all such retailing centers will be less than two years old at the end of 1954.

Those centers now operating contain about 5,500 retail and service stores. There are 98 centers under construction with half scheduled to be completed this year. The 98 will contain some 3,000 retail outlets. Sixty centers containing about 2,500 stores are in the planning stage. Of these, 16 are supposed to open in 1954. Sixty-eight of the 153 centers re-

Leading Building Supply Companies

Devoe & Raynolds	Flintkote Co.	Johns-Manville	Masonite Corp.	Penn-Dixie Cement	Ruberoid Co.	Sherwin-Williams
$5.4	$4.6	$4.3	$7.8	$2.1[3]	....	....
....	$8.9	....	....	....	....	$16.0
645[1]	1,260	3,172	1,350	602	685	1,277
$6.5	$34.5	$62.8	$20.7	$6.3	$28.6	$47.9
11/30/53	12/31/53	12/31/53	8/31/53	12/31/53	12/31/53	8/31/53
$48.9	$90.2	$252.6	$46.3	$27.9	$74.4	n.a.
$.3	$2.8	$10.2	$2.1	$1.0	$1.8	$2.2
$1.8	$4.8	$15.0	$3.7	$4.5	$5.3	$10.3
$.1	$.1	$.1	$.3	$.1	....	$.1
$1.6	$4.7	$19.6	$3.6	$3.3	$4.5	$9.3
7.0%	11.9%	13.7%	13.0%	28.0%	13.1%	n.a.
3.4%	5.5%	7.7%	7.8%	12.0%	6.1%	n.a.
8.9%	8.7%	13.7%	10.1%	15.6%	10.1%	9.6%
$8.07[2]	$3.73	$6.20	$2.72	$5.57	$6.67	$7.29
11/30/53	12/31/53	12/31/53	8/31/53	12/31/53	12/31/53	8/31/53
$6.7	$18.2	$12.2	$5.0	$5.4	$8.9	$27.1
$9.2	$9.6	$22.9	$7.2	$4.3	$7.5	$46.8
$4.5	$7.5	$25.8	$6.2	$1.0	$5.6	$20.5
$20.5	$35.4	$61.0	$18.4	$10.9	$22.1	$94.5
$4.4	$10.5	$34.8	$3.4	$3.1	$1.9	$23.8
$16.1	$24.9	$26.2	$15.0	$7.8	$20.2	$70.7
$6.6	$34.8	$90.4	$26.8	$15.9	$23.8	$30.9
$27.8	$72.7	$191.1	$47.7	$26.9	$49.3	$133.3
$10.46[1]	$14.49	$3.85	$3.70	$9.09	$13.12	$21.24
4..6	3.3	1.7	5.3	3.5	11.6	3.9
18.8%	10.6%	9.0%	13.5%	15.3%	10.1%	n.a.
45.0%	27.7%	37.5%	34.0%	39.4%	34.0%	49.6%
$17.6	$27.6	$84.5	$23.3	$17.3	$16.3	$55.5

[1]—Combined Class "A" & "B" common shares.
[2]—On Class "A" common shares.
[3]—Notes payable—Banks.

ported an aggregate sales volume estimated at $1,600,000,000 in 1953.

It is a safe assumption that the years ahead will witness these shopping centers springing up all over the horizon. Top retailers of the nation are alert to this trend and many already have made a move to serve the customer in his suburban habitat.

Problems Ahead

The aforementioned segments are but a few of the divisions of the building industry that should continue at a high level during the next few years. There are, in spite of these generally favorable factors, some problems of unemployment, farm surpluses and inventories. And there are, as always in an election year, political uncertainties. There has been also a rather surprising dearth of business confidence among many people. The economy is making a transition from a controlled wartime economy to a free peacetime basis. There is a necessity for business to meet a new era of competition after a protracted period of sellers' markets.

Taking many of these factors into consideration, F. W. Dodge has estimated for 1954 a moderate reduction in construction from the records registered last year. For physical volume of non-residential building (new floor space in square feet to be contracted for) an over all 1% increase has been forecast. Gains over last year in commercial building, educational construction and social and recreational projects are expected to offset by a small margin moderate declines in manufacturing buildings, hospitals and institutions, public and religious buildings. A 10% decline from 1953 in residential building volume is estimated.

The result of these trends, if realized, would be a net decline of 5% in physical volume of building. Dollar volumes of heavy engineering contracts are expected to increase by 7%. The net dollar decrease for total building and engineering contracts would be 3%. However, it seems possible, based on the first-month upsurge, that these conservative estimates may be bettered by the year's performance.

It is noteworthy that the job of building America soars around all-time levels without a major assist from Washington. In fact, President Eisenhower's new budget cuts Federal spending on construction by about 10%, but the Bureau of Labor Statistics estimates that state and municipal expenditures will make up practically all of this gap. The B. L. S. predicts $11,200,000,000 in public spending this year, only $30,000,000 less than 1953.

A major beneficiary of the record-setting building industry is the record-setting air-conditioning business. Rarely does an office building or hotel rise these days without year-round air-conditioning. And the people who engineer temperatures are looking beyond offices and hotels to the home market with the expectation that year- *(Please turn to page 758)*

5 Attractive Stocks

-Off The Beaten Track

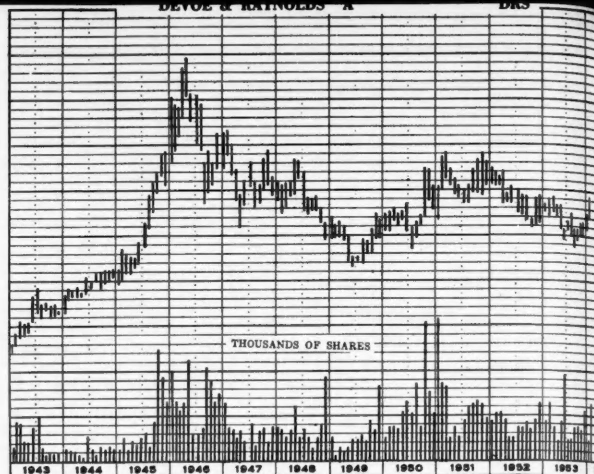
By OUR STAFF

Popularity in the stock market is not always a criterion of value. Many stocks which are not generally well-known to the public have appeal either from the income and appreciation standpoints, or both. Nevertheless, they are more or less neglected in favor of more popular issues. Comparative limitation of marketability, it is admitted, may be a deterrent to investors who deal in large amounts of securities. For the smaller investor, this is no problem. Hence, stocks which may be fairly inactive often prove a fertile field of investment for individuals seeking to make moderate commitments in out-of-the-way issues. This is particularly true of investors for whom a small sacrifice in marketability is of no consequence if it is compensated for either by marked stability of earnings and dividends, or some pronounced feature which holds the promise of unusually favorable developments for the future.

We have selected five typical issues of the type not normally active in the market although by no means totally quiescent, but which are somewhat off the beaten track in comparison with standard issues more familiar to the public. While the stocks may not be too well known to the investing public, the companies themselves are outstanding in their respective fields.

Each of these companies has had a successful record of earnings and dividends, in some cases running back a considerable number of years. Three of the stocks—Koppers, Yale & Towne and Devoe & Raynolds—yield the exceptionally high average of 7.2%. The other two—Idaho Power and Outboard, Marine—now offer the conservative yield of an average of only 4.5% but the companies can easily increase current dividend rates so that the yield will be upped when these increases are put into effect.

Each company is fully described in the accompanying text which is supplemented by pertinent data in tables and charts.



1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
1.38	1.27	1.37	3.50	5.62	4.41	2.52	4.83	3.42	2.49	3.06
.40	.50	.30	1.30	1.60	2.60	2.00	2.50	•2.00	2.00	2.00
7.7	8.3	10.3	10.9	11.8	11.5	11.5	13.1	16.9	18.6	16.0

• Plus 10% Stock Div.

DEVOE & RAYNOLDS CO., INC.

BUSINESS: Manufactures a general line of paints, varnishes, enamels and lacquers for normal trade purposes. This represents about 50% of company's business, most of the rest going to industrial paints and sundry building and construction accessories. Trade-mark prominent in the field.

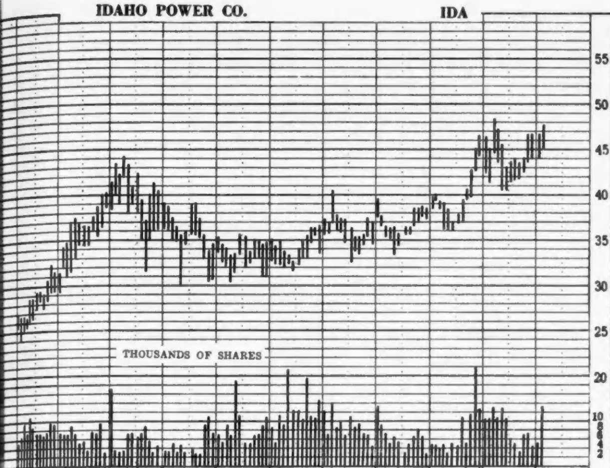
OUTLOOK: Net income increased to $1,667,453 in the fiscal year ended Nov. 30, 1953 from $1,414,128 the previous year. This amounted to $3.07 a share compared with $2.49 a share. While part of the increase probably was due to higher sales to the automobile industry, sustained building operations undoubtedly were chiefly responsible. Further, the need for maintenance and home paint jobs, which is becoming an increasing feature of American life, tends to offer support to future operations. Better cost control was indicated in the last annual report, as evidenced by the fact that costs and expenses increased only about $2.5 million against a $3.1 million increase in sales. Despite an increase of about $250,000 in income taxes, net income increased by approximately the same amount. The company's earnings are fairly volatile, due to the small equity capitalization, there being about 477,000 shares of class "A" stock and 181,000 shares of class "B". With a funded debt of about $5.7 million, leverage for the shares is marked and is often reflected in wide fluctuations in an earnings per share basis. In the post-war years, dividends (now at $2 a share) have been covered by wide margins, except for 1952 and 1949. The company is in a strong financial position, with cash and U. S. government bonds at $6.6 million. Though a moderate decline in earnings this year is possible, the good financial position should help maintain dividends in any case. At least a $1.50 dividend should be quite within the capacity of the company.

DIVIDENDS: The current rate is 50 cents quarterly. In 1951 a 10% stock dividend was declared.

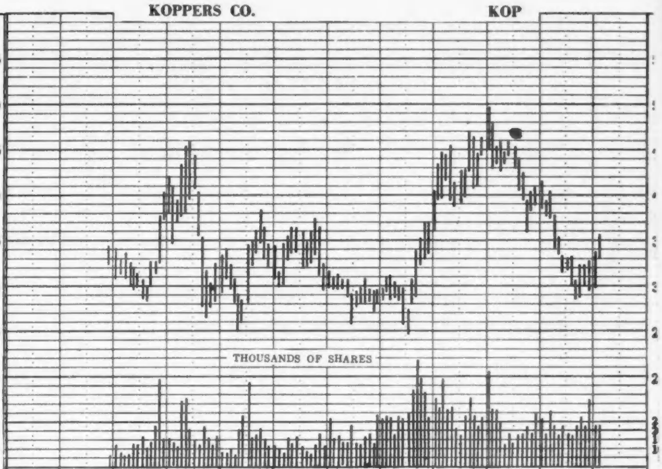
MARKET ACTION: Recent price of 23½, compares with a 1953-54 price range of High—24¼, Low—18¾. At the current price the yield is 8.5%. If investments are intended, it is preferable they be in small quantities.

COMPARATIVE BALANCE SHEET ITEMS

	November 30 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 3,709	$ 6,748	+$ 3,039
Receivables, Net	2,012	4,548	+ 2,536
Inventories	4,577	9,215	+ 4,638
TOTAL CURRENT ASSETS	10,298	20,511	+ 10,213
Net Property	2,243	6,686	+ 4,443
Other Assets	403	622	+ 219
TOTAL ASSETS	$ 12,944	$ 27,819	+$ 14,875
LIABILITIES			
Debt Payable	......	$ 104	+$ 104
Accounts Payable	$ 1,286	984	— 302
Tax Reserve	566	1.860	+ 1,294
Accruals	113	1,486	+ 1,373
TOTAL CURRENT LIABILITIES	1,965	4,434	+ 2,469
Other Liabilities	030	....	— 030
Reserves	019	......	— 019
Long Term Debt	......	5,409	+ 5,409
Preferred Stock	2,709	......	— 2,709
Class "A" Common	3,838	964	— 2,874
Class "B" Common	1.258	220	— 1,038
Surplus	3,125	16,792	+ 13,667
TOTAL LIABILITIES	$ 12,944	$ 27,819	+$ 14,875
WORKING CAPITAL	$ 8,333	$ 16,077	+$ 7,744
CURRENT RATIO	5.4	4.6	— .8



	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	2.39	2.92	2.74	2.59	3.15	2.72	2.79	2.87	2.75	E3.50	
DIV.	1.60	1.60	1.65	1.80	1.80	1.80	1.80	1.80	1.80	2.05	
Wkg Cap $ Mil	d.3	3.5	d1.2	.1	2.7	1.8	d.8	d4.6	1.2	d.6	



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.			2.72	2.79	4.94	8.84	4.03	6.81	6.32	4.29	E4.25	
DIV.			1.60	1.60	1.60	1.60	2.00	3.00	2.50	2.50	2.50	
Wkg Cap $ Mil			26.9	27.9	26.9	38.7	44.2	49.4	63.2	67.2	71.6	

IDAHO POWER COMPANY

AREA SERVED: This operating public utility has an interconnected system, including 18 hydro-electric generating stations, power lines and other facilities for the distribution of electricity over a 16,000 square mile area, extending along Snake River Valley and running for about 400 miles across southern Idaho into eastern Oregon and northern Nevada.

OUTLOOK: Operating revenues of the company have recorded uninterrupted growth in every one of the last 16 years, increasing from $5.7 million in 1938 to an all-time peak of $21.9 million in 1953. The gain in the post-war years has been particularly rapid, moving up from $8.5 million for 1946 to last year's level, an increase of 159% in a seven year period. Net earnings have kept pace, those for 1953 establishing a record high of $3.7 million, equal to $3.35 a share for the common stock as compared with 1952 net of $3 million, or $2.75 a share on the unchanged common stock capitalization. The steady postwar years' gain reflects the economic growth of the territory largely devoted to irrigated agriculture but which has also been expanding in industrial activity, the company being further aided by the fact that its generating plants are entirely hydro-electric and favored by unusually stable water conditions. Although Idaho Power has no major hydro-electric construction planned for immediate future and anticipates no permanent new financing in 1954, it is hoping to meet the need for more power through a 10-year construction program involving expenditures of about $261 million that will about triple present generating capacity of 362,000 kilowatts. This plan includes three projected dams and power plants on Snake River, applications for which are now pending before the Federal Power Commission, but it is not likely that this matter will be passed upon much before the latter part of this year. In the meantime, the outlook is for a continued gain in earnings for 1954, presaging a possible further increase in the dividend on the common stock.

DIVIDENDS: Quarterly payments are now being maintained at 55 cents a share, increased from 50 cents in 1953 and from 45 cents quarterly in 1952.

MARKET ACTION: Recent price of 47 compares with a 1953-54 price range of High—48¼, Low—40¼. At current price the yield is 4.7%.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1944	Sept. 30 1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 727	$ 2,977	+$ 2,250
Receivables, Net	597	1,553	+ 956
Materials & Supplies	278	949	+ 671
TOTAL CURRENT ASSETS	1,602	5,479	+ 3,877
Net Property & Equip.	40,025	136,879	+ 96,854
Investments	112	047	— 065
Other Assets	1,206	1,173	— 033
TOTAL ASSETS	$ 42,945	$143,578	+$100,633
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 1,973	$ 6,140	+$ 4,167
Other Liabilities	801	1,138	+ 337
Reserve for Depreciation	5,864	15,937	+ 10,073
Other Reserves	033	1,270	+ 1,237
Long Term Debt	18,000	60,000	+ 42,000
Preferred Stock	6,180	18,678	+ 12,498
Common Stock	9,000	31,819	+ 22,819
Surplus	1,094	8,596	+ 7,502
TOTAL LIABILITIES	$ 42,945	$143,578	+$100,633
WORKING CAPITAL	(d) $371	(d) $661	+$ 290
CURRENT RATIO	......	......	......

KOPPERS CO., INC.

BUSINESS: This company's activities are basically related to the steel industry and volume depends to a considerable extent on steel plant construction. However, in recent years, the company has expanded greatly in the chemical field as well as maintaining its important position in coal tar products. It has embarked on production of the vital chemical, polyethelene, adding to the company's styrene producing facilities with a new plant to be built at Port Arthur, Texas.

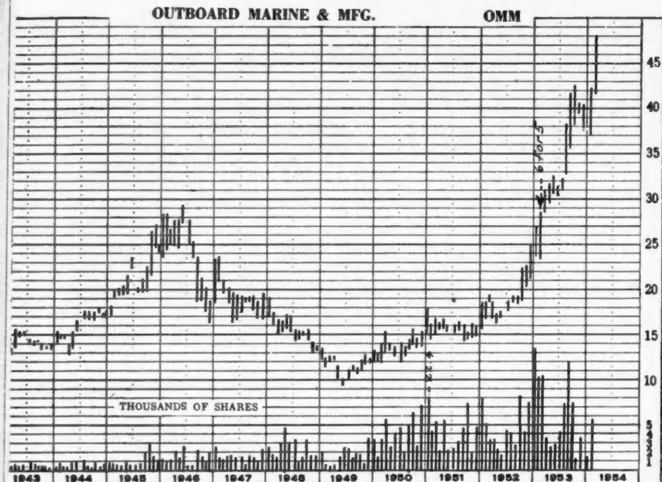
OUTLOOK: Though sales last year decreased about 16% owing to the decline in the business of its construction and engineering division, net income increased from $8.6 million to $9 million. This was the result of excellent cost control, and a striking gain in operating efficiency. This has taken the form of improving technological and manufacturing processes. Though higher wages were paid, increased stability in cost of materials and supplies aided in increasing the net profit margin to 3.3% against 2.7% in 1952. In view of the general business outlook, it is not likely that sales will gain in the present year. However, the high efficiency of plant operation, in addition to the stabilizing factors mentioned should tend to maintain net income at comparatively satisfactory levels. Absence of the excess profits tax should help to maintain earnings. Financial strength of the company is marked. Net working capital increased to $73.8 million compared with $68.1 million the previous year. This includes $25 million in federal short-term securities. At the same time, funded debt was reduced $1.5 million. Increasing the size of the cash flow, is the heavy allowance for amortization with $12.8 million out of the total of $18.6 million, under certificates of necessity, to be accounted for during the next five years. These depreciations necessarily tend to reduce the stated amount of earnings.

DIVIDENDS: The current dividend rate is $2.50 a share annually and has been maintained at this rate since 1951.

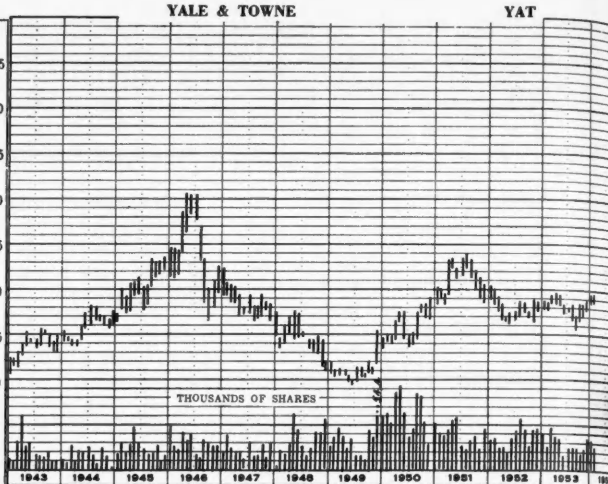
MARKET ACTION: Recent price of 35, compares with 1953-53 price range of High—41⅜, Low—28¾. The yield is about 7%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 8,162	$ 24,960	+$ 16,798
Receivables, Net	14,139	32,017	+ 17,878
Inventories	14,466	33,583	+ 19,117
TOTAL CURRENT ASSETS	36,767	90,560	+ 53,793
Net Property	35,470	60,886	+ 25,416
Investments	8,374	3,210	— 5,164
Other Assets	3,665	3,007	— 658
TOTAL ASSETS	$ 84,276	$157,663	+$ 73,387
LIABILITIES			
Curr. Debt Payable	$ 1,500	$ 676	— 824
Accounts Payable & Accr.	4,350	14,216	+ 9,866
Tax Reserve	3,077	2,113	— 964
Other Accruals	3,945	2,023	— 1,922
TOTAL CURRENT LIABILITIES	12,872	19,028	+ 6,156
Other Liabilities	125	....	— 125
Reserves	2,084	2,828	+ 744
Long Term Debt	32,900	23,766	— 9,134
Preferred Stock	15,000	15,000	....
Common Stock	9,000	18,671	+ 9,671
Surplus	12,295	78,370	+ 66,075
TOTAL LIABILITIES	$ 84,276	$157,663	+$ 73,387
WORKING CAPITAL	$ 23,895	$ 71,532	+$ 47,637
CURRENT RATIO	2.9	4.7	+ 1.8



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	1.64	1.52	1.73	1.39	3.65	2.82	2.53	4.17	3.88	3.59	4.24	
DIV.	.93¾	.93¾	.95¾	.95¾	1.25	1.25	1.25	1.25	1.25	1.25	1.53	
Wkg Cap $ Mil	4.6	7.1	7.9	8.0	8.6	8.6	9.1	11.1	12.7	12.9	13.4	



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
EARN.	3.00	2.99	3.30	2.12	5.84	4.17	2.49	5.30	4.61	4.77	E4.85
DIV.	1.00	1.00	1.00	1.00	1.60	•1.00	1.00	1.50	2.50	2.50	2.50
Wkg Cap $ Mil	15.6	16.4	19.1	18.5	26.7	25.8	26.1	23.9	28.3	31.5	-

• Plus 5% Stock Div.

OUTBOARD, MARINE & MANUFACTURING CO.

BUSINESS: Together with its wholly-owned Canadian subsidiary, this company is the largest manufacturer of outboard motors, ranging from three-horsepower to the newest model, a 25-h.p. plant equipped with electric starter. These units, representing a complete line of various models, include the famous "Evinrude" and the "Johnson Sea-Horse". The company also produces marine accessories and a line of power-driven lawn mowers.

OUTLOOK: Constant strides by the company in further perfecting outboard motors and making them available at moderate prices for simple installation on all types of craft, from canoes and "rowboats" to cabin cruisers, and as auxilliary motors for sail boats, has contributed substantially to the rising tide of popularity of boating by the public. Paralleling this increase in the use of outboard motors is Outboard, Marine & Manufacturing's sales expansion from $17 million in 1946, to a record $60.8 million for the fiscal year ended Sept. 30, 1953. This volume, achieved at substantially the same price levels as prevailed in the previous year, represents a gain of approximately 42% over 1952 sales and was just short of doubling 1951's showing of $30.5 million. Equally significant has been the company's expansion in earning power. Despite the fact that EPT last year took $1.70 a share out of earnings, net income of slightly more than $3 million was equal to $4.24 a share for the outstanding capital stock, after adjustment for the 20% stock dividend paid last March, and compares with $3.59 a share earned in the previous year. last year's peak earnings were achieved notwithstanding new 1954 models entailed substantial tooling costs as well as expenses incident to the introduction of new lines of outboard motors. The company, in the current fiscal year, will have the benefit of its new, modern aluminum die casting plant now in full operation as well as increased production and greater operating efficiency from new plant facilities here and in Canada scheduled for 1954 completion.

DIVIDENDS: Cash dividends, paid regularly in each year since 1937, and maintained at $1.25 annually since 1947, were increased to $1.52 in 1953, and to $2 a share with declaration of quarterly payment of 50 cents paid Feb. 25, last.

MARKET ACTION: Recent price of 47, compares with a 1953-54 price range of High—48, Low—28. At current price the yield on cash dividend is 4.2%.

COMPARATIVE BALANCE SHEET ITEMS

	September 30 1944	1953 (000 omitted)	Change
ASSETS			
Cash	$ 5,938	$ 2,041	—$ 3,897
Marketable Securities	3,757	3,599	— 158
Receivables, Net	2,776	2,548	— 228
Inventories	5,022	12,445	+ 7,423
TOTAL CURRENT ASSETS	17,493	20,633	+ 3,140
Net Property	2,022	10,282	+ 8,260
Other Assets	920	462	— 458
TOTAL ASSETS	$ 20,435	$ 31,377	+$ 10,942
LIABILITIES			
Notes & Debt Payable	$ 6,000	$ 1,846	—$ 4,154
Accounts Payable	652	3,263	+ 2,611
Accruals	3,396	1,416	— 1,980
Tax Reserve	255	671	+ 416
TOTAL CURRENT LIABILITIES	10,303	7,196	— 3,107
Other Liabilities	096	....	— 096
Reserves	1,600	100	— 1,500
Long Term Debt	2,000	4,655	+ 2,655
Capital Stock	1,486	1,782	+ 296
Surplus	4,950	17,644	+ 12,694
TOTAL LIABILITIES	$ 20,435	$ 31,377	+$ 10,942
WORKING CAPITAL	$ 7,190	$ 13,437	+$ 6,247
CURRENT RATIO	1.7	2.9	+ 1.2

THE YALE & TOWNE MANUFACTURING CO.

BUSINESS: The company, a manufacturer of "Yale" locks of all kinds, is also an important producer of builders' hardware, door closers, industrial locks and hardware, pumps, industrial parts, powdered metal products, hoists and other materials handling equipment, including gas, electric, Diesel and propane powered industrial trucks.

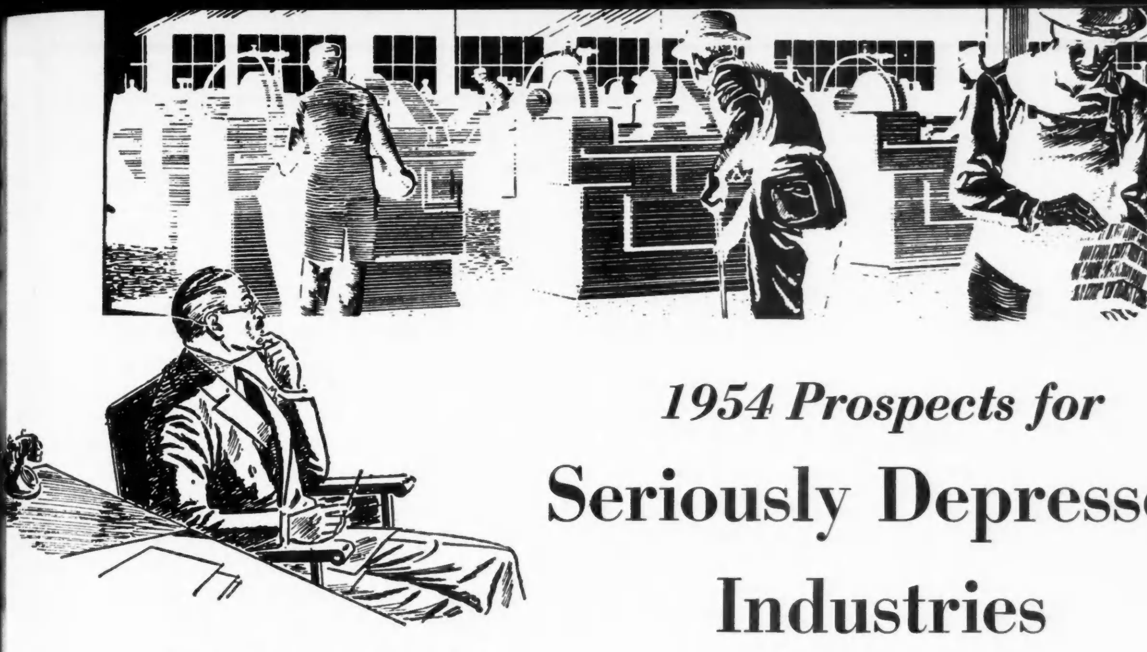
OUTLOOK: Although perhaps best known by the general public for its "Yale" locks for homes, automobiles, office and other types of buildings, and for its builders' hardware which it has been manufacturing since 1868, Yale & Towne has grown importantly in a number of fields. Contributing to the company's growth has been the development of its materials-handling equipment division that now accounts for approximately 65% of total annual sales. Within the last five years net sales have risen from $56.5 million in 1949, to an estimated $103 million in 1953, the latter figure being based on first 1953 nine months' volume of $77.6 million. Net earnings for that period, equal to $3.24 a share, indicate full year's results at $4.80 a share for the 628,856 shares of capital stock outstanding. This showing compares with 1952 net of $4.77 and 1951's $4.61 a share, despite the fact that operations of the lock and hardware division last year were hampered by the move of a large segment of the business to more efficient and economical southern plants which did not get into full-scale production until late in the year. It is also expected that the powdered metal products division, formed only last October following the acquisition of the Powdered Metal Products Corp., will contribute more substantially to earnings in 1954. Within the next month or two, benefits should begin to accrue from completion of the $5 million plant improvement program being carried out at the Philadelphia plant of the materials handling equipment division that will increase operating efficiency and productive capacity to help meet the expanding demand for this cost-saving equipment.

DIVIDENDS: Yale & Towne has paid cash dividends in each of the last 55 years. During the last three years the annual rate has been maintained at $2.50 a share.

MARKET ACTION: Recent price of 39⅞, compares with a 1953-54 price range of High—39⅞, Low—31. At current price the yield is 6.2%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 10,123	$ 3,656	—$ 6,467
Receivables, Net	5,926	12,470	+ 6,544
Inventories	12,934	28,605	+ 15,671
Other Current Assets	....	194	+ 194
TOTAL CURRENT ASSETS	28,983	44,925	+ 15,942
Net Property	7,588	19,572	+ 11,984
Investments	368	310	— 058
Other Assets	1,087	658	— 429
TOTAL ASSETS	$ 38,026	$ 65,465	+$ 27,439
LIABILITIES			
Notes Payable—Banks	....	$ 1,167	+$ 1,167
Accounts Payable & Accr.	$ 2,971	4,555	+ 1,584
Tax Reserve	8,831	7,324	— 1,507
Other Curr. Liab.	701	308	— 393
TOTAL CURRENT LIABILITIES	12,503	13,354	+ 851
Reserves	5,760	....	— 5,760
Long Term Debt	....	12,833	+ 12,833
Capital Stock	12,166	15,415	+ 3,249
Surplus	7,597	23,863	+ 16,266
TOTAL LIABILITIES	$ 38,026	$ 65,465	+$ 27,439
WORKING CAPITAL	$ 16,480	$ 31,571	+$ 15,091
CURRENT RATIO	2.3	3.3	+ .1



1954 Prospects for
Seriously Depressed Industries

By JOHN D. C. WELDON

In almost every community there's a section known as the "other side of the tracks." Families living on the "wrong side" don't enjoy the high social standing accorded those more fortunately situated. In business a somewhat similar line of distinction is drawn. Some industries simply fail to measure up to standards demanded by investors and generally are ostracised by discriminating individuals. Like many families from the "wrong side of the tracks," some industries occasionally experience brief periods of extraordinary prosperity and on such occasions endeavor to shift their position to the more desirable section of the business world.

What should be the proper attitude of investors toward stocks representing the numerous substandard industries that almost always are in trouble and frequently seem to be in desperate straits? This is a question that confronts individual investors who may be tempted to place funds in low-priced stocks that on rare accasions reached extremely high levels. In an effort to shed light on the problem, we are presenting brief comments on several "fringe area" industries for the purpose of pinpointing characteristic weaknesses and measure the risks involved.

The list covered here, embracing lead and zinc mining, coal, sugar, shipping and lumber, is not all-inclusive, but is sufficiently diversified to illustrate the arguments to be presented. It may be observed at the start that companies in the non-ferrous mining industry as well as those engaged in producing and refining sugar have experienced a high degree of prosperity not too long ago. Shipping and lumber companies have done well, too, for a comparatively short period. For the most part, however, these industries prosper only in national emergencies of one sort or another when abnormal scarcities provide the background for obtaining unusually wide profit margins.

LEAD & ZINC—Strategic metals afford an interesting illustration of the devastating effect of widespread swings in demand and supply. In an armament boom, for example, lead and zinc become urgently needed in the production of weapons and ammunition. Price is the lever required to enlarge supplies of essential metals. As quotations for lead and zinc rose in the Korean emergency new sources of production came into operation and supplies increased far beyond normal civilian requirements. Accordingly, when the truce finally ended fighting in Korea and armament production was curbed, consumption of non-ferrous metals declined sharply.

Reflecting the consequences of overproduction, prices of lead and zinc fell steadily for months. Output has dropped only moderately. So long as there is hope of a revival, mining companies are reluctant to close their mines and dissipate their labor force. Hence inventories of lead and zinc have expanded far beyond prospective civilian requirements with the result that consumers see no need for storing large supplies for their own use. There is almost no likelihood of a shortage of these metals in the foreseeable future.

Nevertheless, few mining companies will continue to operate indefinitely at a loss merely to hold on to their working forces. With zinc quoted under 10 cents a pound, indications point to a fairly prompt suspension of mining in high-cost mines. Few companies are able to operate profitably with the metal selling under 10 cents, it is believed. In fact, trade authorities have asserted that operating costs in most mines in this country approximate 10 cents a pound for prime zinc.

Similarly, lead must bring more than 12½ or 13 cents a pound to yield a profit that would justify continuation of production, according to metals experts. Little if any profit is realized with the metal around 12½ cents, as at present. Those companies which fabricate part of their output manage to run slightly ahead of the break-even point.

Prospects for lead and zinc producers are unpromising for the short-term, since there seems to be no development in sight likely to remove surplus supplies from the market and consumption scarcely is expected to expand importantly. Larger producers

Companies in 5 Depressed Industries

	1951		1952		1953					
	Net Per Share	Div. Per Share	Net Per Share	Div. Per Share	Net Per Share	Div. Per Share	Price Range 1951 to 1954	Recent Price	Div. Yield*	Rating
COAL:										
Island Creek Coal	$ 4.68	$ 3.00	$ 2.90	$ 2.50	$ 1.08	$ 1.75[9]	39¾-15⅛	17	10.2%	A
Lehigh Coal & Navigation	.85	.70	.91	.70	.21	Nil	11¾- 7½	9½	......	B
Lehigh Valley Coal Corp.	(d) .29	Nil	(d) 1.24	Nil	(d) 1.66	Nil	3 - ⅝	1	......	B
Pennsylvania Coal & Coke	.81	Nil	1.80	.75	2.00[1]	[2]	15½-10	12½	......	C
Phila. Reading Coal & Iron	3.04	1.90	2.01	1.40	.07	.60[3]	20⅛- 8⅞	9	......	A
Pittsburgh Consol. Coal	13.34	3.00	7.20	3.00	7.25[1]	3.00	62 -37⅞	43	6.9	A
Pond Creek Pocahontas	7.55	4.00	5.36	4.00	4.27	4.00[10]	55¼-29½	30	13.3	A
Truax-Traer Coal Co.	3.31	1.55[5]	2.95	1.60	2.21	1.60	24 -15	17	9.4	B
United Electric Coal Cos.	3.06	1.75	2.26	1.75	2.08	1.00	21⅜-10¾	13½	7.4	B
LUMBER:										
Georgia-Pacific Plywood	3.53	1.50	1.64	1.50	1.01	1.00[3]	26 - 9¼	12	......	B
Long Bell Lumber Corp. (Mo.) $4 "A"	3.12	3.15	1.94	1.95	1.70	1.69	47⅜-21⅜	24	7.0	C
M & M Wood Working Co.	1.78	1.00	.77	.85	.95[1]	.45	15⅞- 7½	9	5.0	B
Mengel Co.	2.56	1.75	1.74	1.00	2.20[1]	1.00	21½-11⅛	12½	8.0	B
U. S. Plywood	5.53	1.40[5]	3.54	1.40	3.33	1.40	38⅞-22	26	5.3	A
SHIPPING:										
American Export Lines	1.91	1.75	3.20	1.50	3.15[1]	1.50	22¼-12½	14	10.7	B
American Hawaiian Steamship	2.10	3.00	(d) .78	3.00	1.35[1]	3.00	67 - 4½	58	5.1	B
Atlantic Gulf & West Indies	4.81	2.00	7.29	3.00	5.66	[4]	114 -49	59	[4]	B
Moore-McCormack Lines	5.30	1.50[5]	4.71	1.50	2.53	1.50	18⅝-11⅝	13	11.5	B
U. S. Lines	4.94	2.00	6.95	2.00	4.30	1.50[6]	23½-13⅛	15	......	B
SUGAR:										
Central Aguirre Sugar	3.35	1.77½	2.60	1.60	2.18	1.60	20⅞-18⅝	20½	7.8	A
Cuban American Sugar	3.66	2.25	3.70	1.75	1.01	1.00	24¾-11⅜	14	7.0	A
Fajardo Sugar	2.65	2.00	2.89	2.50	.61	2.00[7]	26⅛-16½	17	11.7	B
Manati Sugar	3.17	1.25	1.37	.60	(d) 1.31	Nil	14⅝- 3½	4	......	B
South Porto Rico Sugar	10.98	8.00	7.83	4.00	3.07	4.00[8]	69 -32⅞	33	12.1	A
Vertientes-Camaguey	3.35	4.35	1.41	.75	.34	.97	23½- 5⅛	6	16.0	B
West Indies Sugar	11.86	4.00	5.44	3.00	1.24	1.00	41¾-17⅛	18	5.5	A
ZINC & LEAD:										
American Zinc, Lead & Smelt.	4.54	1.25	3.44	1.00	1.90[1]	1.00	29⅜-11¾	12½	8.0	B
Callahan Zinc-Lead Co.	Nil	Nil	(d) .09	Nil	Nil[1]	Nil	5⅛- 1¼	1½	......	C
Eagle-Picher	3.74	1.50[5]	4.08	1.50	3.28	1.50	28¾-17½	18½	8.1	A
New Jersey Zinc	5.06	3.00	6.15	3.00	1.70[1]	2.75	83¾-36½	37	7.4	A
St. Joseph Lead	5.05	3.00[5]	3.61	3.00[5]	2.50[1]	2.75	57 -30⅝	33	8.3	A

(d)—Deficit.
*—Based only on 1953 payments.
1—Estimated.
2—Paid in stock.
3—Dividends now deferred.
4—Initial liquidating dividend; $46 cash plus 7/100ths share of Western Pacific R.R. for each Atlantic Gulf com., held.
5—Plus stock.
6—Cash dividend deferred; 1954 dividend payable in stock.
7—Periodic dividend reduced to $.37½ 3/1/54.
8—Periodic dividend reduced to $.75 1/2/54.
9—Periodic dividend reduced to $.25 4/1/54.
10—Periodic dividend reduced to $.75 4/1/54.
RATINGS: A—Hold. B—Neutral. C—Unattractive.

such as Consolidated Mining & Smelting controlled by Canadian Pacific Railway, should be better able to continue operations than marginal concerns. American Smelting & Refining is a large domestic producer, while Cerro de Pasco is a major producer of lead and zinc in Peru. It would seem likely that domestic companies might feel benefits of a recovery before Latin American mines. So far as can be judged now, earnings of representative companies in this group may be comparatively small in the first half of 1954. If output is effectively reduced, better prices may be obtainable in the last six months. In any case, for the present at least, the stock market outlook for this group is doubtful.

SUGAR—Another industry that has been experiencing problems caused by overproduction is sugar. Not unlike strategic metals, sugar is a vital necessity—especially in national emergencies when supplies from offshore producing areas may be imperiled. Sugar prices often have skyrocketed in war times, only to tumble as the emergency ends. High prices spur production of sugar, of course, and contribute to surplus supplies. A chronic condition of excessive output led to enactment of legislation in this country, as well as in Cuba, providing for comprehensive control over imports into the United States and over many phases of operations in Cuba.

The net effect of tight regulation in the major consuming and producing areas has been to place the sugar industry somewhat in the status of public utilities. Sales (and therefore gross receipts) have been fairly closely fixed. Labor rates are governed in Cuba and have become more generally standard in other West Indian areas. Import quotas established by the Secretary of Agriculture are aimed at providing an adequate supply for American consumers without encouraging such excessive supplies that domestic producers would be harmed. Hence, domestic prices are virtually fixed, and this regulation tends to establish a uniform margin between the raw and refined product which governs to a considerable extent the earnings of refiners.

Perhaps the outlook is somewhat more encouraging for sugar companies, especially refiners, than for the metal group. Domestic consumption shows promise of being well maintained and the sharp uptrend in population is encouraging for the longer term. Restrictions on output in Cuba may hamper producers operating in that area, while larger output of beet sugar in Europe would pose a problem for West Indian suppliers of the world market. More favorable weather conditions would be a logical expectation in Puerto Rico, where a severe drought imposed a serious handicap last year.

American Sugar Refining and National Sugar Refining are the leading factors in processing sugar for the domestic market. They should experience satisfactory results this year. Weather conditions are likely to prove a determining factor for domestic companies such as American Crystal, Godchaux, Great Western and Holly Sugar. With a normal break in the weather, Central Aquirre might be expected to enjoy more satisfactory results in the fiscal year ending next July than in 1953, when net dropped to $2.18 a share. Fajardo and Eastern Sugar Associates, operating in Puerto Rico, also could do better this year. The South Porto Rico management however, recently took cognizance of more sober prospects by reducing its quarterly dividend.

Emphasis in promotional advertising on reduced consumption of sugar in soft drinks has raised doubts in some quarters over longer term growth in demand. Although non-sugar sweetened beverages have gained unexpected popularity, perhaps much of the boom has been based on experimentation by consumers and by the novelty appeal. In the long run the American appetite for sweets is expected to expand—and sugar is destined to supply the need. On the whole, the stock market position of the group is not attractive.

COAL—Turning to another harassed industry, we find a different problem in coal. Here two major factors have raised grave doubts over prospects for coal securities. In the first place, introduction of heating oils in the populous residential areas of the country began to whittle away at the anthracite market a generation ago. Subsequently, when oil prices advanced and coal had an opportunity to recapture lost consumers—or at least to hold those it had retained—rapidly rising labor costs brought another devastating handicap.

Potential competitive advantages were dissipated when union labor leaders boosted demands to levels that compelled coal miners in self defense to raise prices to the point where consumers again shifted to oil for its comforts and ease in residential heating. Despite vigorous efforts of coal mining companies to keep pace through installation of labor-saving devices, temporary advantages along this line were lost in additional increases in wages. The consequence has been closing of high-cost mines and reduced employment in the industry—which, of course, has counteracted miners' gains in wage hikes.

The outcome of the economic struggle seems likely to mean a gradual contraction in consumption of coal. The hard fuel is essential in some industries, of course, notably steel-making, and there always will be a market for supplies which can be produced economically. Electric power and light utilities also are major users, but the amount of coal that is converted into electricity is likely to be determined by its accessability to the generating station at a competitive price. Most utilities are able to convert to petroleum if that commodity should be offered at lower cost.

Industry authorities are looking toward the time when economics may dictate establishment of power stations at the coal mines, so that transportation of electric current by wire can be substituted for shipment of mine products by railroads and trucks. Moreover, considerable progress has been made in converting coal into chemicals. Here again, the element of cost is a vital factor. If coal can be made available at the nearby chemical plant at reasonable cost, it can compete with petroleum. At the moment, the latter has a wide competitive advantage.

Progress in mechanization is likely to have considerable influence on earnings results of individual coal companies. Pittsburgh Consolidation Coal has pioneered in developing new markets, in introducing economies in production and in attempting by other means to improve the industry's position. It may be a leader in the move to convert coal into energy at the mine. It is one of the outstanding companies in its industry. Suspension of production in high-cost mines seems to be the industry's salvation.

Soft coal producers appear to have a more promising outlook than have (*Please turn to page* 754)

Growing Investment Stature of

FINANCE COMPANIES

By J. C. CLIFFORD

Paralleling the rapidly expanded postwar American economy has been the growth in consumer credit. At the close of 1953, total obligations falling into this category amounted to $28,896 million. A break-down of this sum shows $10,289 million represented automobile receivables, $5,605 million other consumer-goods receivables, $1,606 million in repair and modernization loans, $4,307 million in direct personal loans, and the balance of $7,089 million consisted of non-instalment credit such as charge accounts, service credits and single-payment loans.

The 1953 end-of-year volume was the largest in the nation's history, having increased from $25,705 million outstanding at the close of 1952, and contrasting with 1947 volume of $11,570 million. In comparison with the latter figure, the 1953 total appears high yet, in relation to disposable personal income, the ratio was approximately only 11.8%, compared with 1952's ratio of 11.9%, and 11% in 1941, the last of the peace-time years prior to World War II.

Although expansion in consumer credit has been substantial when measured by dollar volume, the increase does not represent anything phenomenal. The intervening years have brought many changes that have strengthened our economy. Our population, amounting to 132 million in mid-1940, has increased to more than 160 million today. Whereas disposable personal income in 1940 amounted to $75.7 billion, the 1953 figure rose to $249.3 billion earned by roughly 61.5 million workers as compared with 46.6 million employed, on an average, during 1940. These changes have brought about an expanding middle-income group who are the principal users of instalment credit applicable to the purchase of a greater array of consumer durables than existed 15 or even ten years ago. This is borne out by the fact that instalment credit covering consumer goods, other than automobiles, amounting to $1,827 million in 1940, jumped to $2,143 million in the second year after the close of the war, and increased to a record high of $5,605 million at the close of 1953.

All in all, 1954 should be another good year for companies in sales-finance field in which the leaders are The C.I.T. Financial Corp., and Commercial Credit Corp. In addition to earnings from diversified activities, both companies entered 1954 with large amounts of Deferred Income and Unearned Premiums from business done in prior periods, a portion of which will be applicable to this year's earnings.

Companies operating primarily in the small loan field have, for the most part, experienced a steady uptrend in number of loans and dollar volume of business in every one of the postwar years. Earnings of these companies last year were at or close to peak levels. Although personal instalment loans in force in the United States at the end of 1953 amounted to $4,307 million, the highest in small loan business annals, the total was equal to only 1.51% of disposal personal income for the year, as compared to 1.43% for 1952, and 1.59% for 1940. On the basis of this comparison, it is quite clear that the personal loan companies, some of which also are active in the instalment field for the financing of purchases at retail, have a tremendously broad market in which to operate. With the general economy being maintained on anything like an even keel, 1954 volume of loans and net earnings should make a favorable comparison with those in any of recent years. It has been the experience of these companies that consumer lending increases in volume under a healthy economy. However, like the sales-finance companies, they are in a good position to stabilize earnings in comparatively lean periods through the flexibility of their financial structures, retiring employed capital by payment of bank loans.

In the accompanying table titled "Statistical Data on Leading Finance Companies" we show a three-year earnings and dividend records, together with

price ranges for that period as well as current dividend yield on five companies classified as sales-finance organizations, namely, Associates Investment Co., C.I.T. Financial Corp., Commercial Credit Corp., General Finance Corp., and Pacific Finance Corp. The others in the table are usually put in the category of personal loan companies several of which like Household Finance Corp., and Beneficial Loan Corp., operate in this country and Canada. Highlights on some of the foremost of these companies are set forth in the following paragraphs:

C.I.T. FINANCIAL CORP., the largest in the sales-finance group, had a record year in 1953. Consolidated net earnings amounted to $34.7 million, compared with 1952's $29.6 million. Giving effect to the 2½-for-1 common stock split in January, 1953, net for that year was equal to $3.62 a share, as compared with $3.08 a share for the year previous. Dividends on the common stock(maintained at $1.80 throughout last year were increased with declaration of 1954 first quarter payment of 50 cents, establishing the new rate at $2 a share annually.

On March 1, this year, C.I.T. redeemed $30 million of its $50 million outstanding 4% serial preference stock. This action followed the company's sale of its subsidiary, the National Surety Co., early in January of this year from which it realized $29,200,000, and a net profit in excess of $5 million, all of which has been applied to the redemption of 60% of the preference stock. This action was also taken because since 1948, earned surplus of C.I.T. has been increased by more than $69.5 million. As a result of this move, annual dividends of $1.2 million heretofore payable on the stock now redeemed will be applicable to the common stock. Also, after giving effect to the redemption, C.I.T. capital and surplus will exceed $200 million, providing an adequate capital base to support a continuing high level of operations.

While maintaining its foremost position in automotive financing, and owning three subsidiaries, all of which are important operators in the factoring field, C.I.T. has extended its insurance underwriting interests, organizing in 1953, the Patriot Life Insurance Co., to engage in the writing of credit and other forms of life insurance on a nation-wide basis. The company is reported to have had an auspicious start and it is the intention of the management to continue to expand and diversify its activities.

Another segment of C.I.T. operations fast developing in importance is financing for both contractors and dealers of industrial equipment such as road building machinery, textile weaving machines, canning machinery, bottling equipment, etc. The company's experience has been that many contractors and dealers prefer to finance such equipment loans in this manner, leaving local bank credit for short-term needs, getting at the same time 18 months to three years terms on their loans, which is usually a longer time than offered by banks. This type of business done by the company last year increased by about 60% over the year before and is expected to further expand as more and more industrial concerns are attracted to this specialized banking service for the purchase of new equipment.

C.I.T. common stock, yielding 6.1% at its current market price, has paid dividends without interruption for the last 30 years. The company has established a record of consistent growth which should be extended as the nation's population and industrial output expands. From the standpoint of income return and growth potentials, the stock is a sound investment medium worth holding over the long-term.

COMMERCIAL CREDIT CORP., established several records in 1953. Volume of receivables acquired by the finance subsidiaries increased to a record high of $3,111 million from $2,907 million in the year before. Operations of the finance companies and the insurance subsidiaries resulted in net income for 1953 of $19.9 million, while earnings of the manufacturing subsidiaries contributed $3.9 million, bringing CCC's consolidated net for the year to $23.8 million. This was equal to $5.21 a share. In the previous year, total net income was $19.8 million, or $4.34 a share.

Although Commercial Credit does a large volume in motor retail instalment receivables—it had a little more than $551 million of such paper at the end of 1953—the company's operations are well diversified. It engages in financing wholesale purchases by distributors and dealers of a variety of consumer durables from manufacturers, purchasing open accounts receivables from manufacturers, wholesalers, mills and converters, factoring, and making direct or personal loans, the greater portion of which are secured by liens, as well as financing the purchase of industrial equipment. Further diversification is represented by its insurance operations and the 10 manufacturing subsidiaries (*Please turn to page* 754)

Statistical Data on Leading Finance Companies

	1951 Earnings Per Share	1951 Div. Per Share	1952 Earnings Per Share	1952 Div. Per Share	1953 Earnings Per Share	1953 Div. Per Share	Price Range 1951-1954	Recent Price	Indicated Dividend Yield
American Investment Co. (Illinois)	$ 1.85	$ 1.60	$ 2.20	$ 1.60	$ 2.29	$ 1.60	25¼-17¼	24½	6.5%
Associates Investment Co.	3.59	1.50	3.62	1.50	4.19	1.80[3]	35½-13¾	33	5.4
Beneficial Loan Corp.	3.81	2.00	3.63	2.10[4]	3.75[5]	2.40	40⅞-21½	39	6.1
C.I.T. Financial Corp.	2.92	1.80	3.08	1.80	3.62	2.00[3]	32¾-17½	32½	6.1
Commercial Credit Co.	4.33	2.40	4.34	2.40	5.21	2.60[3]	39¾-22½	39	6.6
Family Finance Corp.	1.79	1.40	1.69	1.40	1.90[1]	1.40	19⅛-13⅝	18½	7.5
General Finance Corp.	1.46	.50	1.55	.55	1.44	.60	11½- 6⅛	10	6.0
Household Finance Corp.	3.86	2.40	4.16	2.50	4.70	2.40[4]	57½-30½	50	4.8
Pacific Finance Corp.	2.79	2.00	3.42	2.00	3.67	2.00	32⅜-16⅝	30	6.6
Seaboard Finance Co.	2.06	1.80	1.96	1.80	2.14[2]	1.80	26⅛-17½	26	6.9

1—Year ended June 30, 1953.
2—Year ended Sept. 30, 1953.
3—Indicated rate for 1954.
4—Plus stock.
5—Estimated.

FOR PROFIT AND INCOME

Market and Earnings

Despite the prospect of substantially lower total corporate profits in 1954, the market has risen very substantially since last September. However, divergence between the trend of earnings and that of the market is nothing new. In six of the last 15 years, in which earnings were lower, the Dow-Jones industrial average closed higher on the year; in 5 out of the 15 years, in which earnings rose, the average closed lower on the year. Thus, there was divergence in 11 out of the last 15 years. Similarly, there was divergence between the trends of the market and of industrial production, on a full-year basis, in 7 out of the last 15 years. The market is actuated only partly by statistical fact. To the extent that it is, it maintains a somewhat closer annual-average relationship with total dividends than with anything else, although here too there has been considerable divergence. It is influenced most by psychology, as was aptly summed up years ago in this poetic observation: "Stocks are neither high nor low, 'tis only thinking makes them so." Whether it proves entirely well founded or not, the market rise since last September, reflects a more confident psychology, as compared with that prevailing for nearly nine months prior thereto, in 1954 dividend prospects, in the "moderation" of 1954 business recession, in the over-all policies of the Eisenhower Administration and in the long-term potential of our economy.

Best Groups

Stock groups which have reflected exceptionally strong demand recently and up to this writing include: Aircraft, aluminum producers, building, containers, electrical equipments, finance companies, dairy products, food brands, oils, machine tools, motion pictures, paper, tires and utilities.

Secondaries

Although institutional-grade "Blue Chip" growth and income stocks continue strong, they are not monopolizing the market spotlight as much as for some time previously, because secondary stocks have been getting increased attention. A partial list of the latter showing strength includes: American Distilling, Black & Decker, Carborundum, Gillette, McGraw Electric, Vanadium, American Broadcasting - Paramount, Babcock & Wilcox, Carrier, National Acme, Marshall Field, Ruberoid, Pabco Products, Square D, Ex-Cell-O, Cutler Hammer, National Gypsum and Davison Chemical.

Good News

Whether in reflection of savings from lapse of EPT or as an expression of confidence in their general 1954 prospects, a goodly number of companies have been feeding good news to the market by raising their quarterly dividend rates, or paying extras or voting stock dividends. Because it implies continuity, a boost in regular rate is worth more than an extra in market valuation, or than a stock dividend unless the latter is uncommonly large. A partial list of the most important companies which have raised quar-

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Rheem Mfg. Co.	Year Dec. 31	$3.63	$2.76
Chickasha Cotton Oil	6 mos. Dec. 31	2.28	.52
Great Northern Iron Ore	Year Dec. 31	2.00	1.26
Bridgeport Brass	Year Dec. 31	5.47	4.23
Douglas Aircraft Co.	Year Nov. 30	15.46	8.99
Safeway Stores	Year Dec. 31	4.31	2.01
U. S. Pipe & Fdry.	Year Dec. 31	7.37	4.89
American Ice Co.	Year Dec. 31	1.01	.53
Union Oil of Calif.	Year Dec. 31	6.41	4.61
General Precision Equip.	Year Dec. 31	5.09	1.88

terly payment rates so far in 1954 includes: Kroger Company, Ingersoll-Rand, Burroughs Corp., Skelly Oil, Reynolds Tobacco, Lily-Tulip Cup, Sutherland Paper, American Tobacco, Freeport Sulphur, Standard Brands, Commercial Credit, American Chicle, Sears, Roebuck; Douglas Aircraft, Lorillard, duPont, National Gypsum, National Lead, Mississippi River Fuel, Minnesota Mining & Manufacturing, McGraw-Hill and Lone Star Cement.

Pacesetters

Stocks which have shown a persistent tendency to outgain the market probably will in most cases continue to give a better-than-average performance, barring now unforeseeable change for the worse in company status. Here are a few of the many which have done so: McGraw-Hill, Halliburton, Pittsburgh Plate Glass, National Lead, Pitney-Bowes, Phillips Petroleum, Dixie Cup, Goodrich, Pfizer, Texas Company, Beneficial Loan, Anchor Hocking Glass, General Electric, United Biscuit. Among utilities which have outgained their group are Florida Power & Light, American Gas & Electric, Southern Company and Houston Lighting. Among the leaders of the rail group are Southern, Atchison, Kansas City Southern and Illinois Central.

Bonds

All indications point to a continuing firm bond market, and probably to a moderate further rise, as long as the Federal Reserve and the Treasury hold to their present easy-money policy and as long as business recession tends to lessen over-all demand for credit. However, it must be kept in mind that bonds have already had a major rise from the cyclical low of last June—major, that is, as bond-market fluctuations goes—and that the upside potential has necessarily been reduced. At some point, the business cycle will turn upward and demand for credit will broaden. Looking further ahead, at some point the money managers will have to stop pressing down the accelerator; and, at a still later time, may have to reach for the brake. The point is this: bonds bought on a further rise probably will eventually show at least a moderate capital loss. Par can be called a "normal" level for high-grade long-term bonds. The further they rise above it, the greater becomes potential vulnerability; with the reverse so on declines under par. Pointing up the transformation of the bond market, the Treasury's long-term Victory 2½% bonds have taken only roughly nine months to rise from about 90 to 100, after taking two years to fall from around par to the 90 level (actually a shade under it) following the pulling out of the Federal Reserve support plug.

"Pale-Blue Chips"

Many of the best known and most popular "Blue Chip" stocks look relatively high on earnings and on dividend yield. Better values are offered by less well known stocks which are good enough in intrinsic quality to be rated as pale-blue chips or possible future blue chips; and which are improving in basic quality as a result of company progress. Some examples are Anchor Hocking Glass, Halliburton, McGraw-Hill, Beneficial Loan, Outboard Marine, Pfizer, Pitney-Bowes, Dixie Cup, United Biscuit, Addressograph, Beatrice Foods, Federated Department Stores, General Shoe, Goodrich, National Tea, Sunbeam and Thompson Products. The majority of these have been previously cited here individually, at prices well under those now prevailing. All remain worth holding. Those which appear most attractive for long-pull appreciation are McGraw-Hill and Halliburton (both with fairly good current yields and subject to further dividend boosts; also Outboard Marine, Dixie Cup and Pfizer, on which current yields are fairly low. Attractive mainly for income are Beneficial Loan, United Biscuit, National Tea and Beatrice Foods, although some further appreciation appears possible, if not probable, especially on a longer-term basis.

Union Oil

On a gain of about 7% in gross operating income, 1953 earnings of Union Oil of California rose to $6.41 a share (not including non-recurring profit on some assets sold), from $4.61 in 1952, a rise of about 38%, compared with an industry average of about 6%. Like others, the company was aided by higher average selling prices, despite some weakness in product prices late in 1953, especially in the case of gasoline. However, the main thing is that it began to get the benefit of its major expansion and improvement program which mostly involved boosting the percentage of light versus heavy crude oil produced, and raising refinery efficiency. Oil stocks in general are acting well on the assumption that excess in supply will be corrected in no great time, and that 1954 earnings will average "only slightly" under 1953's, as well as in reflection of investment confidence in the industry's long-pull prospect. Relative to earning power, Union Oil is one of the most moderately priced issues around 44. The $2 dividend might be raised or otherwise augmented. A 10% stock payment was declared late in 1953.

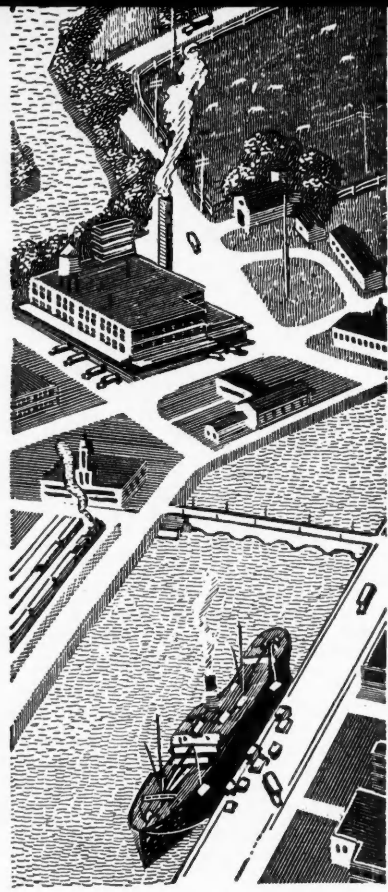
Another

Another oil stock which could work out well on a longer-range basis, and perhaps better than average this year, is Lion Oil. This comparatively small company, with a crude oil output equal to about 85% of refinery runs, is in this respect better integrated than some of the larger companies. Moreover, in terms of its capital investment and earning power, it is roughly half oil, half petrochemicals, which is a

(*Please turn to page* 762)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Reliable Stores Corp.	Year Dec. 31	$2.66	$4.37
Blumenthal (Sidney) & Co.	Year Dec. 31	.28	1.44
American Bank Note Co.	Year Dec. 31	.69	.83
Ashland Oil & Refin. Co.	Quar. Dec. 31	.30	.47
Smith-Corona, Inc.	Quar. Dec. 31	.46	1.03
Pacific Tin Consol. Corp.	Quar. Dec. 31	.17	.62
Plymouth Oil Co.	Quar. Dec. 31	.54	1.03
Simonds Saw & Steel	Year Dec. 31	4.03	5.68
Oklahoma Nat. Gas Co.	12 mos. Dec. 31	.89	1.80
Sparks-Withington Co.	6 mos. Dec. 31	.01	.49

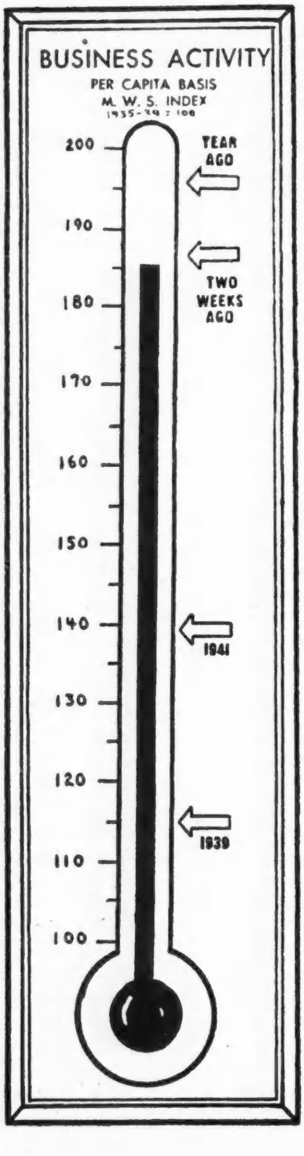


The Business Analyst

What's Ahead for Business?

By E. K. A.

The return to competitive conditions in virtually all lines of business endeavor has necessitated a thorough re-examination of production and operating costs, and a determined effort to reduce unnecessary expenses. Many of the older generation of business men had all but forgotten what real competition, such as is being found this year, was like. The younger generation of business men, who came up during and after World War II, are having their first experience with difficult selling and mounting competition. Close control of costs, ignored to a considerable extent during the earlier postwar years, is being recognized as essential under present day conditions.



Much to the credit of business men of both the older and younger generation, there is practically no evidence anywhere of panicky cutting of costs — without regard for the consequences — such as usually developed in the past on the first signs of a general business slowdown. Retrenchment frequently resulted in sharp pruning of sales forces, virtual elimination of advertising expenditures, and similar drastic action that inevitably caused business to contract much more than it otherwise would have.

Large scale capital expenditures for new plant and equipment are continuing, with emphasis on labor saving machinery. It is recognized by industry that, even in the event of substantial unemployment, there is little prospect for any contraction in wage scales and that the long-term trend of labor costs is likely to continue upward.

With operations reduced to something less than maximum, there is considerable opportunity for cutting labor costs. With proper scheduling, there is no need now for costly overtime operation. With lay-offs a possibility, unions are showing belated willingness to co-operate with management in the elimination of less efficient workers and the elimination of practices that contribute to labor inefficiency and increased labor costs.

There is much room, according to students of management, for streamlining of office procedure. Efficiency here has lagged far behind efficiency in the factory. In many enterprises, management has become distinctly topheavy during the postwar years. And, there are numerous employees on the payrolls of many organizations who are more decorative than functional. Substantial progress is being made in amalgamating separate functions under the more able executives.

The end of EPT this year softened considerably the blow of reduced sales volume and mounting competition, and is giving business the needed time in which to meet the problem of reducing costs. But, this is only a breathing spell since it is rather well recognized that, under conditions of mounting competition for business, the bulk of the savings accruing from lower taxes will redound to the benefit of the consumer rather than the producer.

Foreseeing rising competition for the consumer's dollar, a number of enterprises completely reorganized their sales forces in 1953. It has not been easy to re-train order takers to be real salesmen, able to get in and take the business away from competitors. But, progress is being made.

For several years now, advertising expenditures have been under increasingly close scrutiny. In numerous instances, the least productive media have been eliminated. The emphasis is on better advertising, obtaining more value for each dollar spent, rather than upon reduction of advertising expenditures. A number of large corporations, even while recognizing the prospect for some decline in sales volume in 1954, have upped their advertising budgets for the year.

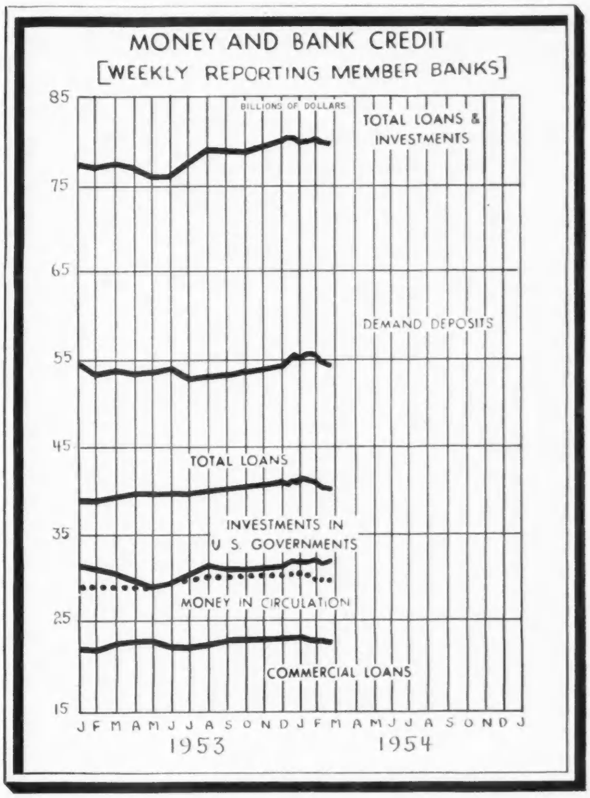
There is, it seems, much more competitive pricing of products than has been generally believed. As a result, the emphasis on reducing costs of production and distribution is being accentuated.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—The Administ ation's reluctance to do anything at this time which would restrict the supply of funds available for investment was stressed early this month when the Treasury decided to forego a current opportunity of lengthening the maturity of the debt. Instead it is raising $1½ billion by sale of 13-week tax anticipations certificates that will come due in June. The Treasury needs the money to help pay off $5.9 billion of tax certificates maturing March 22 and proceeds of the current issue plus incoming tax receipts will enable it to do so without reducing working balances. Current reliance on short-term borrowing is something of a change from policy of even six weeks ago when the Treasury succeeded in getting holders of $11 billion of maturing debt to convert into an intermediate term obligation. Since then, the signs of business recession have become even plainer and our money managers are anxious to keep intact, amounts available from private sources for investment in longer-term corporate offerings. The current sale of a short-term maturity will find a ready market among banks and is in line with this aim.

The Treasury's postponement of long-term borrowing was foreshadowed by strength in high-grade obligations. In the two weeks ending March 5, the Treasury's Victory 2½s of 1972-1967 were up a full point to hit par, before profit-taking on news of the short-term offering shaved the price by ¼ point. At 100, this issue had returned to a level not seen for three years and had rallied 11⅛ points from last year's low. Corporate bonds were in steady demand throughout the period and the yield of an average of best-grade bonds fell 6 basis points to 2.87%. This yield average, which had penetrated the 1953 low a few weeks ago, is now under the lowest yield of 1952 which was 2.91%. New issues were a particular feature in the two week period with AA rated public utility obligations being sold to yield less than 3%. First case of this kind in many months occurred on February 25 when $5.0 million of Atlantic City Electric 3s of 1984 were sold to yield 2.97%. Houston Light & Power did even better on March 2 with its $30 million, 35-year issue, which brought 2.90%. The fact that one has to go back three years to find this type of issue being sold at such low yields, has not deterred underwriters, who are pricing these offerings at levels very close to those obtaining for seasoned securities of similar grade, thus attesting to their conviction that low yields are going to be with us for some time to come.



TRADE—Retail trade seems to be holding its own in most parts of the nation although many stores have had to cut prices to achieve these results. Dun & Bradstreet estimates that total sales for the week ending Wednesday, March 3, were on a par with the corresponding 1953 week as price cuts and seasonal factors brought shoppers into the stores. Spring clothing was in demand and household goods attracted buyers. Television sets were moving better and auto sales were experiencing the usual seasonal pick-up although price shading continues to be quite common.

Department stores are finding buyers less eager and the late Easter may be one reason for this. In the week ending February 27, these stores report their sales were 3% under the corresponding 1953 week while sales for the year to date are 1% under a year ago.

INDUSTRY—The contraction in industrial output continued unabated during February, according to the monthly report of the National Association of Purchasing Agents. A ray of hope, however, was seen in the better picture for new orders which appeared to be holding their own after January's severe decline, thus indicating a narrowing of the gap between output and new orders. The buyers found that manufacturers are still cutting inventories with purchasing mostly on a hand-to-mouth basis.

COMMODITIES—The Bureau of Labor Statistics' comprehensive index of commodity prices rose 0.1% in the week ending March 2 to stand at 110.6% of the 1947-1949 average. Farm prices were up 1.0% while processed foods remained unchanged. Among industrial materials, lower prices were

(Continued on following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Jan.	3.4	4.1	4.0	1.6
Cumulative from mid-1940	Jan.	537.2	533.8	484.7	13.8
FEDERAL GROSS DEBT—$b	Feb. 26	274.9	274.9	267.6	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Feb. 24	54.0	54.1	53.1	26.1
Currency in Circulation	Mar. 3	29.9	29.8	29.8	10.7
BANK DEBITS—(rb3)**					
New York City—$b	Jan.	59.9	54.0	50.0	16.1
344 Other Centers—$b	Jan.	89.6	91.5	91.4	29.0
PERSONAL INCOME—$b (cd2)	Jan.	283	285	281	102
Salaries and Wages	an.	191	193	189	66
Proprietors' Incomes	Jan.	50	50	52	23
Interest and Dividends	Jan.	23	23	22	10
Transfer Payments	Jan.	15	14	14	3
(INCOME FROM AGRICULTURE)	Jan.	17	17	19	10
POPULATION—m (e) (cb)	Jan.	161.1	160.9	158.4	133.8
Non-Institutional, Age 14 & Over	Jan.	115.7	115.6	114.0	101.8
Civilian Labor Force	Jan.	62.1	62.6	62.7	55.6
unemployed	Jan.	2.4	1.9	1.9	3.8
Employed	Jan.	59.7	60.7	60.8	51.8
In Agriculture	Jan.	5.3	5.4	5.8	8.0
Non-Farm	Jan.	54.4	55.3	55.0	43.2
At Work	Jan.	57.8	59.1	58.2	43.8
Weekly Hours	Jan.	41.0	41.6	41.4	42.0
Man-Hours Weekly—b	Jan.	2.37	2.46	2.41	1.82
EMPLOYEES, Non-Farm—m (1b)	Jan.	47.7	49.7	48.4	37.5
Government	Jan.	6.7	7.0	6.7	4.8
Factory	Jan.	12.7	13.1	13.6	11.7
Weekly Hours	Jan.	39.4	40.2	41.0	40.4
Hourly Wage (cents)	Jan.	180.0	179.8	174.0	77.3
Weekly Wage ($)	Jan.	70.92	71.96	71.34	21.33
PRICES—Wholesale (lb2)	Mar. 2	110.6	110.5	110.0	66.9
Retail (cd)	Dec.	209.1	208.9	209.6	116.2
COST OF LIVING (lb2)	Dec.	114.9	115.0	114.1	65.9
Food	Dec.	112.3	112.0	113.8	64.9
Clothing	Dec.	105.3	105.5	105.1	59.5
Rent	Dec.	127.6	127.3	120.7	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Dec.	13.9	14.1	14.1	4.7
Durable Goods	Dec.	4.7	5.0	5.0	1.1
Non-Durable Goods	Dec.	9.2	9.1	9.1	3.6
Dep't Store Sales (mrb)	Dec.	0.85	0.86	0.87	0.34
Consumer Credit, End Mo. (rb)	Dec.	28.9	28.3	25.8	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Jan.	20.2	22.0	24.5	14.6
Durable Goods	Jan.	8.0	9.6	12.5	7.1
Non-Durable Goods	Jan.	12.2	12.5	12.1	7.5
Shipments—$b (cd)—Total**	Jan.	23.7	24.1	24.5	8.3
Durable Goods	Jan.	11.4	11.6	12.5	4.1
Non-Durable Goods	Jan.	12.3	12.5	12.0	4.2
BUSINESS INVENTORIES, End. Mo.**					
Total—$b (cd)	Dec.	81.0	81.3	77.1	28.6
Manufacturers'	Dec.	46.7	46.9	44.2	16.4
Wholesalers'	Dec.	11.7	11.9	11.3	4.1
Retailers'	Dec.	22.6	22.4	21.6	8.1
Dept. Store Stocks (mrb)	Dec.	2.4	2.5	2.4	1.1
BUSINESS ACTIVITY—1—pc	Feb. 27	186.7	186.6	196.0	141.8
(M. W. S.)—1—np	Feb. 27	231.1	231.0	236.8	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 745)

registered for burlap, fuel oil and crude rubber while higher levels were reached by pig iron, pig tin and copper scrap.

FOREIGN TRADE is beginning to feel the effects of the business recession, according to preliminary figures for January, announced by the Census Bureau. In the first month of 1954, the Bureau estimates that **EXPORTS** amounted to $1,075 million, the lowest in twenty months and $218 million under exports of a year ago. Half of the drop was the result of a tapering off in military aid shipments which were valued at $170 million in January against $277 million in the corresponding 1953 month. For the whole year of 1953, military aid shipments were at a record $3,504 million and this boosted total exports for last year to a new high. Excluding military aid, exports in 1953 came to $12,244 million, a 7% decline from 1952. **IMPORTS** in 1953 were $10,784 million, slightly above 1952 results. Imports in January of this year are estimated at $825 million, only $80 million under commercial exports for the month.

* * *

New orders for **MACHINE TOOLS** improved in January and the index of such orders compiled by the National Machine Tool Builders Association rose to 173.7% of the 1945-1947 average from 149.8% the previous month. Shipments in January were also higher and amounted to 319.6% of the base period while output slackened a bit to 372.9% of the 1945-1947 average against 384.7% the month before. With shipments still far above new orders, unfilled orders held by manufacturers declined again and at current production rates it would have taken 5.6 months to complete all orders on the books. This compares with 5.8 months in December and 9.4 months in January, 1953.

* * *

CASH DIVIDEND PAYMENTS in January rose to $690 million, from $548 million paid out in the initial 1953 month, the Commerce Department has reported. This substantial advance stems in part from the fact that some firms, which used to make December payments, have shifted these disbursements to January. For the three months ending January 31, cash dividend payments amounted to $2,637 million, a 4% rise over the corresponding period of a year ago. Much of this rise

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Jan.	125	127	134	93
Mining	Jan.	113	111	116	87
Durable Goods Mfr.	Jan.	140	143	154	99
Non-Durable Goods Mfr.	Jan.	112	113	17	89
CARLOADINGS—t—Total	Feb. 27	595	619	669	933
Misc. Freight	Feb. 27	331	337	370	379
Mdse. L. C. L.	Feb. 27	59	65	64	66
Grain	Feb. 27	42	44	39	43
ELEC. POWER Output (Kw.H.) m	Feb. 27	8,396	8,551	8,070	3,266
SOFT COAL, Prod. (st) m	Feb. 27	6.8	7.2	8.6	10.8
Cumulative from Jan. 1	Feb. 27	63.1	56.3	73.9	44.6
Stocks, End Mo.	Jan.	75.7	80.6	73.3	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Feb. 27	6.3	6.3	6.5	4.1
Gasoline Stocks	Feb. 27	179	177	158	86
Fuel Oil Stocks	Feb. 27	46	46	44	94
Heating Oil Stocks	Feb. 27	69	70	68	55
LUMBER, Prod.—(bd. ft.) m	Feb. 27	237	235	250	632
Stocks, End Mo. (bd. ft.) b	Jan.	9.1	9.0	8.2	7.9
STEEL INGOT PROD. (st) m	Jan.	8.0	7.9	9.9	7.0
Cumulative from Jan. 1	Jan.	8.0	111.6	9.9	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Mar. 4	208	226	323	94
Cumulative from Jan. 1	Mar. 4	1,741	1,533	2,910	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Feb. 27	213	218	223	165
Cigarettes, Domestic Sales—b	Dec.	29	30	30	17
Do., Cigars—m	Dec.	437	533	439	543
Do., Manufactured Tobacco (lbs.)m	Dec.	14	15	15	28

PRESENT POSITION AND OUTLOOK

centered in the electrical machinery, oil refining and chemical industries, while nonferrous metal companies had a substantial drop in payments. Among non-manufacturing corporations, railroad disbursements for the three month period were up 12% while electric power and light companies paid out 6% more than a year ago.

* * *

FURNITURE MAKERS did not do very well in January and their new orders fell 19% under a year ago while shipments declined 16%. Current shipments, however, are below incoming orders and as a result the backlog of unfilled orders rose sharply from end of December levels, although they are still 35% under unfilled orders on the books at the end of January, 1953.

* * *

Demand for **NEWSPRINT** is holding up well and consumption in January amounted to 477,707 tons, up from 462,862 tons in the corresponding 1953 month. However, stocks of newsprint on hand and in transit at the end of January rose to 48 days supply. This compares with 44 days supply at the end of last year and 57 days supply at the end of January, 1953.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

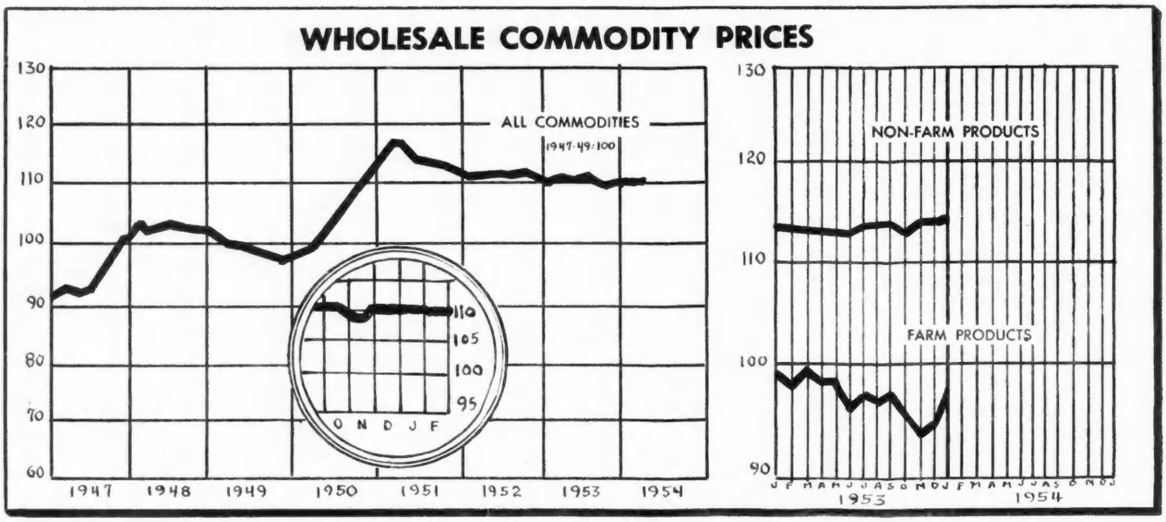
No. of Issues (1925 Cl.—100)	1953-'54 Range High	1953-'54 Range Low	1954 Feb. 26	1954 Mar. 5
300 COMBINED AVERAGE	215.5	177.2	203.0	205.2
4 Agricultural Implements	263.3	179.0	211.2	202.3
10 Aircraft ('27 Cl.—100)	494.3	330.3	469.8	494.3A
7 Airlines ('27 Cl.—100)	693.9	492.6	546.8	536.9
7 Amusements	103.9	76.4	102.2	103.9A
10 Automobile Accessories	289.4	213.8	243.6	243.6
10 Automobiles	49.4	39.0	40.0	39.6
3 Baking ('26 Cl.—100)	28.0	23.0	23.7	23.7
3 Business Machines	408.0	311.4	408.0	404.5
2 Bus Lines ('26 Cl.—100)	240.8	170.2	238.4	231.5
6 Chemicals	396.9	337.9	369.3	376.7
3 Coal Mining	15.4	9.0	10.4	9.8
4 Communications	69.3	58.6	66.3	68.1
9 Construction	72.7	57.9	72.7	72.7
7 Containers	544.5	456.9	534.6	544.5A
9 Copper & Brass	175.4	125.3	146.1	146.1
2 Dairy Products	105.1	82.3	102.0	104.1
5 Department Stores	63.2	54.6	59.5	60.6
5 Drug & Toilet Articles	246.9	203.8	239.8	239.8
2 Finance Companies	442.7	341.8	438.7	442.7A
2 Food Brands	200.4	185.0	196.5	200.3
2 Food Stores	140.9	113.0	132.9	134.2
3 Furnishings	79.2	59.6	66.1	66.7
4 Gold Mining	760.0	502.3	517.4	557.6

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Feb. 26	1954 Mar. 5
100 HIGH PRICED STOCKS	133.6	114.4	131.8	133.6A
100 LOW PRICED STOCKS	260.5	203.7	235.8	236.7
4 Investment Trusts	112.7	93.1	105.3	108.2
3 Liquor ('27 Cl.—100)	967.8	811.1	891.5	865.8
11 Machinery	240.6	181.0	222.3	230.4
3 Mail Order	128.6	101.0	114.5	112.4
3 Meat Packing	101.7	78.7	85.7	86.6
10 Metals, Miscellaneous	284.5	198.4	221.1	223.1
4 Paper	512.2	394.9	502.9	512.2A
24 Petroleum	464.6	376.5	452.5	464.6A
22 Public Utilities	206.1	173.8	204.1	206.1A
8 Radio & TV ('27 Cl.—100)	36.9	27.6	30.1	30.6
8 Railroad Equipment	64.1	49.1	54.8	55.3
20 Railroads	53.2	41.8	45.6	46.4
3 Realty	54.6	42.3	53.6	54.1
3 Shipbuilding	330.8	228.7	316.1	310.3
3 Soft Drinks	421.9	339.0	421.9	418.1
11 Steel & Iron	151.4	122.8	140.3	140.3
3 Sugar	59.8	45.9	50.9	47.3
2 Sulphur	644.9	525.5	644.9	639.5
5 Textiles	162.2	101.3	109.4	111.4
3 Tires & Rubber	95.8	70.4	93.2	95.8A
5 Tobacco	105.2	81.1	81.1	82.8
2 Variety Stores	319.5	288.8	288.8	288.8
16 Unclassified ('49 Cl.—100)	125.7	97.0	111.4	112.4

A—New High for 1953-'54.

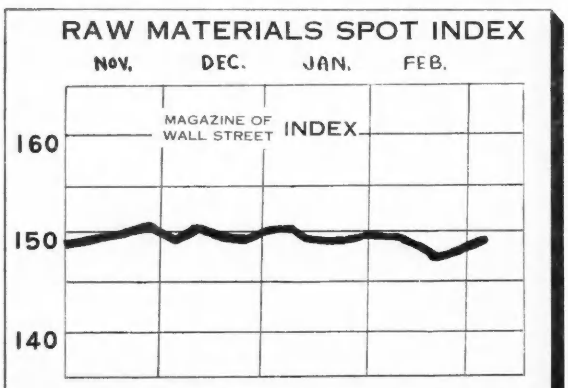
Trend of Commodities

There was widespread strength in commodity futures in the two weeks ending March 8 and this was reflected by the Dow-Jones Commodity Futures Index which rose 4.34 points. Wheat futures were in demand and the May option gained 9¾ cents in the fortnight ending March 8 to close at 225¾. Export business picked up although future demand in this regard is uncertain because of good crop conditions in European countries. The large amount of wheat tied up in the loan is the market's main support factor although there is some buying on the prospect that the continuing drought in the Southwest will effect the new crop. Corn prices have also put in a better performance during the period under review with the May option gaining 3 cents to close at 155½. The Government support level is above current prices and this is encouraging producers to place large quantities of grain in the loan. However, the Commodity Credit Corporation is selling corn to fill export demand and to supply cheap grain to so-called "disaster" areas and this factor is a restraining influence on corn prices. Soybean futures have continued their spectacular rise in the two weeks ending March 8 and the May option added 18¾ cents to close at 349¾. This option is now $1.00 above the lows of seven months ago, primarily as the result of the small 1953 crop. The supply of beans in the year ending October 1, 1954 are some 30 million bushels under that of the previous period while both domestic and export demand continue high. Cotton has been one of the few commodities to remain in a sidewise trend in the two weeks under review. The cotton cloth market has experienced only moderate activity and mills have curtailed operations further despite a high level of retail demand.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

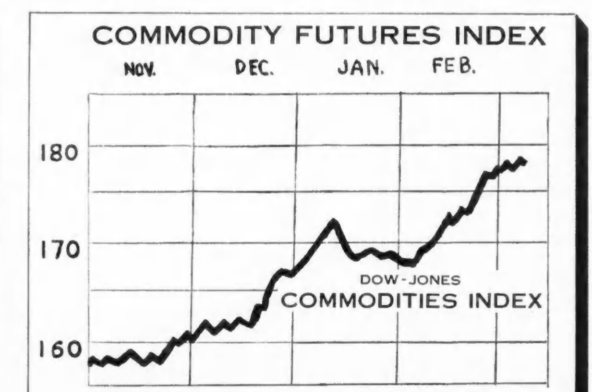
	Date Mar. 8	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	88.3	87.9	88.6	90.1	53.0
9 Foodstuffs	99.2	98.7	96.2	86.7	46.1
3 Raw Industrial	81.3	80.9	83.6	92.4	58.3
5 Metals	82.5	79.9	88.9	109.1	54.6
4 Textiles	87.3	87.5	87.1	90.0	56.3
4 Fats & Oils	73.4	74.8	71.6	59.3	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	179.0	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Keeping Abreast of Industrial and Company News

Sic transit gloria. Where once stood for nearly a century the once famed Grand Union Hotel in Saratoga Springs, N. Y., where the elite gathered during the season of the sport of kings, the **Grand Union Co.**, has broken ground for the start of an extensive shopping area. Located on a 6½ acre tract, including a parking area for 500 automobiles, the development will provide for 15 retail stores, one of which will be a modern Grand Union super market, having 14,000 square feet of floor space. Some of the features of the new super market will be a Food-O-Mat and a Meateria, as well as complete lines of fresh fruits and vegetables, frozen foods, bakery goods, dairy products, and housewares and toiletries departments.

Golfers, both pros and average, should be able to improve their game, according to the U.S. Rubber Co., through the use of its new gold ball that promises to add ten yards to the player's drive. The new ball, the company states, will give greater distance in cold and hot weather, and against or with the wind. The secret of the ball's improved performance is the revolutionary new diamond markings on the cover. The ball, a legal tournament golf ball, appears whiter, stays whiter and is easier to retrieve on the course. These attributes may be of help to the duffer who manages to slice into the rough.

Crucible Steel Company of America and National Research Corporation have jointly announced that they have joined forces to accelerate development of the vacuum melting of steels and other alloys. Crucible steel has just acquired a 50 percent interest in Vacuum Metals Corporation, formerly a wholly-owned subsidiary of National Research. Vacuum Metals is already producing vacuum melted steels and other metals in commercial quantities, and is the country's only commercial producer of these high-purity metals. Arrangements have been completed for construction of new vacuum melting facilities to be located in Syracuse, N. Y., in an expansion program that is expected to increase Vacuum Metal's capacity by more than 500 percent in the next twelve months. This important move is consistent with Crucible's primary interest in special purpose steels and alloys,—metals which must resist extraordinary heat, cold, corrosion and pressure. The new partnership with National Research Corporation will enable Crucible to produce steels and alloys which will meet more fully the stresses, strains and speeds of this atomic age.

A product of **United States Plywood Corporation**, is a new kitchen countertop, a one-piece combination work surface-backsplash, substituting, where the two join, a sweeping curve for a dirt-catching seam, has just been placed on the market. It's the Unitop, water tight and easy to clean, developed to serve the builder-cabinet maker trade for installation in new homes or those being modernized. To insure prompt delivery of orders **U.S. Plywood** has established fabrication facilities in strategic locations to serve the lumber dealer outlet.

A remarkably new high speed professional sheet film—Kodak Royal Pan—is announced by the **Eastman Kodak Company.** This new film is twice as fast as previous film of this type. The increase in emulsion speed has been achieved, however, without any increase in film graininess. The development represents a significant gain in film emulsion technology, since until the introduction of Kodak Royal Pan film emulffision technologists have been limited in their ability to achieve increases in film speed without increases in granularity. The new film is expected to prove of tremendous value to press, commercial, portrait, illustrative, and industrial photographers. Its increased speed will be particularly helpful in these fields since it will permit photographers to make pictures which have heretofore been almost impossible.

Goodyear Tire and Rubber Company announced that it is making deliveries of a new all-nylon Super-Cushion tire to replace a similar premium unit previously marketed. Longer mileage and better traction and skid resistence are claimed for the new tire. An anti-vibration design in the tread practically eliminates squealing on turns and produces a quieter ride. The company also announced that it has developed a new pre-conditioning process that controls the stretch in the nylon tire cord and enhances the strength of the carcass. The tire is being manufactured in both black and white sidewalls in all popular sizes.

The contract for air conditioning the nation's second big atom-bombproof vault for private use was announced by **Carrier Corporation.** The vault, the first west of New York State, is being constructed in an abandoned Southern Pacific Railroad tunnel at Zayante Creek in the Santa Cruz Mountain range in California. The West Coast vault will be a mammoth safe deposit box for keeping vital business records, treasures of art and micro-films safe from bomb destruction, decay or disfigurement. The air conditioning equipment in the new vault provides cool, dry air which is required for eliminating harmful moisture. It will maintain a temperature of 65 degress F. and a relative humidity of 45 per cent. A Carrier central system Weathermaker will be used to maintain the precision conditions required.

American Can Co. is building a new research and development center in Barrington, Ill. The new unit will permit the company to expand its research ac-

tivities, particularly in the development of metal cans that are tin free. The present research laboratories are located in Maywood, Ill. Following completion of the Barrington project early next year, the Maywood laboratories will be used for technical services and quality control operations.

The "Six-Car Auto Loader'" designed and manufactured by **Evans Products Co.,** on a flat car sup plied by the **New York Central System** created to carry six autos instead of the usual four, is expected to further facilitate railroad haulage of automobile loads. The new loader, mounted on a standard flat car, is a double-decker much like the trucks used for hauling automobiles. Three autos are carried on the floor of the new railroad car and three on the second deck. A three man crew can completely load the railroad car, including fastening down the autos, in less than 30 minutes. No special equipment or loading docks are needed as part of the upper deck swings down to form a ramp. The new loader increases railroad payloads 50%. It will provide the railroads with means to meet any competitors in the auto-hauling field. A second loader is now being built for the **Union Pacific Railroad,** and the company hopes soon to go into volume production.

International Business Machines Corp. has trained one of its punched card transmitters to "talk" over regular telephone circuits. This super-mart gadget not only delivers phone talk at a rate of almost a thousand alphabetic or numerical characters a minute, but can also check the accuracy of its rapid-fire conversations by listening in on itself. The result is fast duplication of punched card data between points thousands of miles apart. When information has to be sent to a distant point, the device, known as a "Transceiver", reads the data recorded on IBM cards in the form of punched holes. As the cards are being read, electronic circuits generate coded impulses in the form of "beeps"—each series of sounds representing a hole in the card. These sound signals carry over the telephone wires and actuate a punching mechanism at the other end, which in turn simultaneously produces each duplicates of the cards being transmitted. That way, newly-created punched cards are immediately ready for use with accounting machines and computers.

Bell & Howell Co. will take over a substantial part of the assets of Devry Corp., Chicago manufacturer of motion picture projectors. Devry's tools, inventories, patents and Government contracts are included in the transaction. No change is planned in retail distribution of Devry products. Bell & Howell will make Devry's Government and commercial products in its own plant.

Canada Dry Ginger Ale, Inc., broke ground for its largest plant, at Maspeth, L. I., N. Y. The 200,000 square-foot building will be on one level except for second story office space. It is designed to accomodate five bottling lines, including three 60-spout units to give a total production capacity of about 32,000 cases of quarts and small bottles a day. Production is expected to start early next year.

Dow Chemical Co's Texas division plans to construct a single-story canning plant to pack permanent type anti-freeze at Freeport, Texas. Construction will begin immediately, and the plant should be completed by late spring. The new building will cover about 12,000 square feet and will house the plant's office and warehouse as well as canning facilities. Operations will include filling the cans, crimping on the sealing top and packaging and shipping.

Allied Chemical & Dye Corp.'s general chemical division states a $750,000 expansion is now under way at the packaging, shipping and warehouse facilities of its Baker & Adamson Works in Marcus Hook, Pa. The plant is the division's production center for a line of laboratory reagents and fine chemicals. The expansion, slated to more than double the present facilities, includes construction of a three-story annex to the main packaging and shipping building and a one-story annex and tank farm for packaging and storing flammable liquids.

American Machine & Foundry Co. is negotiating the purchase of BMC Manufacturing Corp., a Binghampton, N. Y. manufacturer of toy tractors, autos, trucks and wagons. Wheeled goods made by BMC, which employs 300 during peak production at two plants in Binghampton, will augment American Machine & Foundry's line of bicycles and toys. BMC, slated to become a wholly-owned AMF subsidiary, also makes pressure lock wrenches.

Now its' do-it yourself television antennas. **Admiral Corp.** has added nine different outdoor TV antenna kits to its accessories line. Each is claimed to equip a set owner with everything he needs to put up his own antenna, and complete instructions are included. The kits retail for $13.95. Average cost of other comparable installations comes to between $30 and $40. Designed for both color and black-and-white sets, the new antennas will be available soon.

Paramount Pictures Corp. has just developed its "Vista Vision" process, a new method of motion-picture producing, printing and exhibiting. Expanded images on the original negatives are compressed in developing and then expanded through special lenses on theatre projectors to provide what Paramount calls the greatest clarity of any wide-screen process so far. The company is completing two pictures in Vista Vision, "White Christmas" and "The Big Top" and will produce all subsequent movies in the process.

Columbia Broadcasting System's subsidiary, Columbia Records, Inc., which up to now has confined its activities to the phonograph field, plans to make other plastic products. The company will set up a new division to manufacture a general line of precision molded plastic products. Such items as plastic parts for machinery, clock cases and buttons probably will be turned out. A recently completed plant expansion program involving extensive installation of equipment for injection molding, a process now widely used, is expected to be an important contribution to earnings.

Pittsburgh Steel Co. began operating a new cold rolling mill at Allenport, Pa. Start of the new unit marks the entry of the company into the market for cold rolled sheets for the first time in its 54-year history. Four stands of rolls in succession will flatten out steel into sheets for auto bodies, electric appliances, building (*Please turn to page* 760)

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

B. F. Goodrich Company

"Please report inventory position, sales volume, net working capital and earnings of B. F. Goodrich Company."

A. D., Lewisburg, Pa.

An increase of 8.1% was registered in the sales of B. F. Goodrich Company for the year 1953. Net sales reached an all-time high amounting to $674,613,276 compared with $624,102,207 in 1952.

After providing for all costs, including taxes and depreciation, and after a reserve of $2 million for increased replacement cost of facilities, net income amounted to $34,226,745, or $8.16 a share on the 4,194,250 shares of common stock outstanding at year-end.

The corresponding net income for 1952, after a reserve of $2 million for increased replacement cost of facilities, was $32,364,008, which, after deducting dividends paid on the preferred shares then outstanding, amounted to $7.60 a share on the 4,164,792 shares of common stock outstanding at December 31, 1952.

Federal, foreign income, and excess profit taxes and liability for renegotiation for the year 1953 were $53,863,000 as compared with $57,083,000 in 1952. Total taxes in 1953 amounted to approximately $93,480,000, equivalent to $22.29 a share of common stock, as compared with $91,416,000 in 1952.

Inventories at year-end amounted to $128,322,640 compared with $131,242,848 at the year-end of 1952. Domestic inventories of crude and man-made rubber and rubber-like materials have been priced on the last-in first-out (Lifo) basis in both years. The application of the Lifo basis of inventory pricing was expanded in 1953 to include employment costs (salaries, wages and employee benefits) in inventory.

Depreciation and leasehold improvements for tax purposes in 1953 amounted to $13.435,913, as compared with $11,265,549 in 1952.

Dividends totalling $2.75 a share on the common stock were paid in 1953, which compares with $2.65 a share paid in 1952.

Current assets at the end of 1953 were $315,951,473 and current liabilities were $105,581,406, a ratio of 3.0 to 1.

Net working capital increased from $197,116,466 to $210,370,067 during the year. Capital expenditures during 1953 for expansion and betterment of manufacturing, distribution, and research facilities amounted to $23,420,000. Capital expenditures during 1952 were $21,915,000. A quarterly dividend of 80 cents per share on the common is payable on March 31, 1954.

Parke Davis & Company

"Please report comparative sales and earnings of Parke Davis & Company for the past two years and if there was a substantial change in earnings in the past year, will you please explain it and also present important figures on financial position."

B. L., Portland, Oregon

Net sales of Parke Davis & Company for the year of 1953 were $109,852,079 and these were the third highest in the company's 87-year-history. The net earnings equalled $9,344,017 or $1.91 on each of the 4,894,900 shares outstanding. A year ago, the firm reported net earnings of $16,256,343 on net sales of $126,313,461, equalling $3.32 per share.

The decrease in sales volume and earnings in the past year was due to a further reduction in antibiotic volume, notably chloromycetin, from that reported the previous year. Sales for each of the last two quarters of 1953 were at a higher level than each of the corresponding periods of 1952. Moreover, and of particular importance, is the fact that, apart from antibiotics, sales of Parke Davis products generally show better than an 8% increase over 1952. Chloromycetin sales in the United States and Canada have shown gradual improvement during the past year, in comparison with the latter part of 1952. World sales of Chloromycetin exceed by far that of any other product the company has introduced to the medical profession.

The pharmaceutical firm's 1953 earnings before taxes were $17,744,017 compared with $32,706,344 for 1952. During the past year, the company paid $7,831,776 in dividends equal to $1.60 per share. This compares with $9,299,535 paid in 1952, which amounted to $1.90 a share. Dividend of 35¢ per share was paid in the first quarter of the current year.

Current assets were listed at $72,365,387 on December 31, 1953, compared with a 1952 figure of $81,537,508. Current liabilities at the end of last year were $24,560,275, compared with $33,545,886 at the close of 1952 business.

Rheem Manufacturing Company

"Please furnish earnings, sales data on Rheem Manufacturing Company for 1953 with a breakdown of net sales."

R. H., Orlando, Florida

Net sales of Rheem Manufacturing Company for the year ended December 31, 1953 totalled $187,974,400, which represents an increase of approximately 30% in volume over 1952's net sales total of $144,523,960.

Earnings before provision for federal income taxes amounted to $12,883,800 or an increase of approximately 85% over earning before taxes in 1952, which totalled $7,200,200. The 1953 earnings were the second highest total in Rheem's history and only fell slightly behind the 1951 all-time high of $13,015,515.

Net earnings after taxes and before dividends amounted to $4,983,800 which is an all-time high for the company, exceeding the previous best year which was 1950 when net earnings totalled $4,862,593. Earnings per share of common stock for 1953 amounted to $3.63. This compares with $2.76 per share of common stock for 1952 and the 1953 figure represents the third highest earnings per share of common stock in the company's history, being exceeded only by record 1950 figures of $4.75 and $3.78 reported for 1951. The preliminary unaudited figures indicate that provision for federal income tax will be around $7,900,000 and federal taxes per share of common stock will total approximately $6.32.

Rheem reported a breakdown of net sales for 1953 as follows: $79,915,900 – commercial product sales; $38,764,100 – equipment, containers and aircraft; $69,294,400–Government Ordnance contracts. Commercial sales were the second highest in company history and were only slightly under the record high of 1951.

Dividends in 1953 totalled $2.00 per share and 50 cents was paid in the first quarter of the current year.

Ekco Products Company

"Please submit data as to Ekco Products Company's principal business, recent acquisitions, net income for last year and dividend payments."

S. W., Trenton, N. J.

Ekco Products Company is a manufacturer of commercial baking pans, household baking tinware and small non-electrical housewares.

Sales for 1953 reached $58,026,789, an increase of 28% over the previous high of $45,274,914 in 1952. Earnings after taxes were $3,658,701, a gain of 21% over 1952. The figures are exclusive of the Autoyre Company of Oakville, Connecticut, which Ekco acquired in January.

Earnings per common share were $3.94 as against $3.20 in 1952, after reflecting the 5% stock dividend Ekco paid last November.

Profits before Federal taxes were $8,614,682 compared to $6,770,663 in 1952 and the firm's total Federal tax bill was $4,955,981 as compared to the previous high of $3,752,363 in 1952.

Civilian sales in 1953 amounted to $42,637,638, an increase of 11% over the previous best of $38,557,723 in 1952.

While expecting a decline in military production in 1954, the company's acquisition of Autoyre Company; the continued strong growth of the new foil division and the progress by a subsidiary, National Glaco Chemical Corporation, are major reasons why Ekco looks forward with confidence to prospects over coming months.

Autoyre manufactures stamped and polished bathroom fittings. The foil division produces pre-shaped pans for housewares, baking and packaging industries. The Glaco Corporation chemically treats baking pans and now has eight plants in operation across the country.

For the three months ended December 31, 1953 sales were $15,561,383, net earnings were $743,992 equal to 79 cents per common share. This compares with the like quarter of 1952 net sales of $14,197,814, net earnings $917,874, equal to 98 cents per common share.

Dividends in 1953 totalled $1.25½ in cash plus 5% in stock. A 40 cent dividend was paid in the first quarter of the current year.

Diamond Alkali Company

"Please furnish sales volume of Diamond Alkali Company and if there was an increase, please show the reason for the increase and also please report on new developments of the company, particularly in the research field and also net earnings."

H. G., Holyoke, Mass.

Sales of Diamond Alkali Company, producers of basic chemicals and allied products, reached a record high of $86,734,279 in 1953, an increase of 13% over 1952. Earnings in 1953 were $5,939,189, equivalent, after preferred dividends, to $2.39 per common share outstanding. This compares with earnings of $5,461,820 or $2.18 per common share in 1952.

The increase in sales was reported due to a rising volume of some of the company's newer products, the completion of an important portion of its expansion program, and a mid-year increase in the price level of some of its basic products. There was, however, a sharp decline in volume of agricultural chemicals sold by the company.

Capital outlays during the year totalled $10,700,000, a larger portion of which was for facilities at the company's Houston plant for production of polyvinyl chloride, a base material for the manufacture of a wide range of plastic products.

Capital additions and improvements also included the completion, at Houston, of a plant for the manufacture of perchlorethylene, used as a solvent in the metal cleaning and dry cleaning, and the acquisition for cash of the Belle Alkali Company, which manufactures organic products widely used in the manufacture of silicon resins, solvents and drugs.

During the year the company was approved by the Atomic Energy Commission as a partner of two other companies for participation in the Commission's nuclear reactor development program.

Research efforts during the year were concentrated on the organic chemicals field from the standpoint of developing and perfecting present products and processes. The pace of exploratory work in the organic chemicals field was stepped up and a considerable amount of activity continued in the improvement of basic inorganic processes and products. Even though expenditures for research purposes have expanded materially over the past few years, further increases are anticipated, particularly in the area of exploratory research.

Dividends in 1953 totalled $1.50 per common share and 37½ cents was paid in the first quarter of the current year.

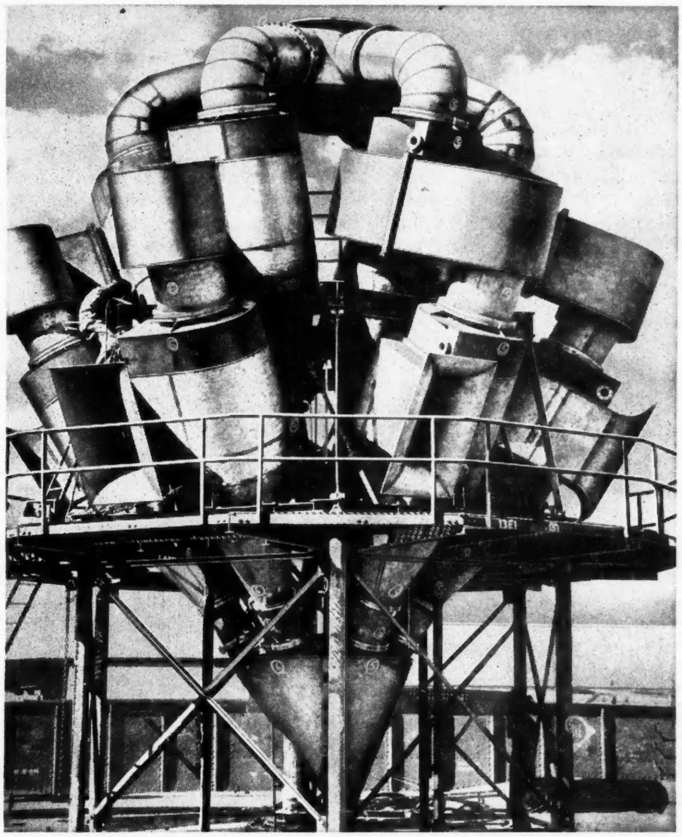
Hilton Hotels

"I have been reading about the expansion program both here and abroad of Hilton Hotels Corporation and so would be pleased to receive data on recent revenues, net income, total assets etc."

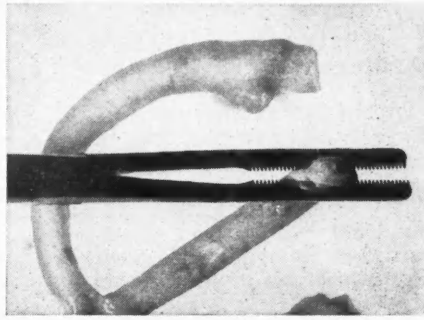
E. A., Reno, Nevada

(*Please turn to page* 762)

Only STEEL can do so many jobs so well



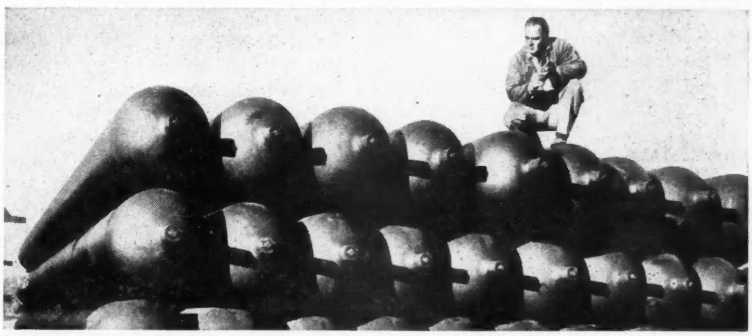
Visitor from Outer Space? No, despite its strange, other-worldly appearance, this is no product of extra-terrestrial intelligence, no flying saucer. It's a perfectly practical, very down-to-earth catalyst collector in a large petroleum refinery. Noteworthy, however, is the extensive use of USS Stainless Steel in its fabrication . . . to provide corrosion resistance combined with great strength.



Amputations Reduced. This new surgical clamp, handmade of sanitary corrosion-resistant Stainless Steel, can grasp a human blood vessel or artery firmly during a delicate operation without injuring the vessel wall. This clamp has already helped to reduce substantially the number of amputations resulting from war wounds.

Handkerchief Test proves that you can't beat this drum for cleanliness! Rub a clean handkerchief briskly around the inside of a USS Drum. The handkerchief *stays* clean. No grease, dirt, scale or rust show up to contaminate drum contents. Why? Because of a new U.S. Steel process that results in drums absolutely clean, completely scale-free, fully rust inhibited.

SEE the United States Steel Hour. It's a full-hour TV program presented every other week by United States Steel. Consult your newspaper for time and station.



Built to be Buried. That's true of these National Seamless Steel Bottles, produced by U.S. Steel. For these bottles are filled with gas and buried underground, where weather and temperature changes don't affect gas pressure. This is the modern way to store gas . . . the safer way.

MANUFACTURED FROM USS TRADE MARK STEEL UNITED STATES STEEL

This trade-mark is your guide to quality steel

UNITED STATES STEEL

For further information on any product mentioned in this advertisement, write United States Steel, 525 William Penn Place, Pittsburgh, Pa.

AMERICAN BRIDGE . . AMERICAN STEEL & WIRE and CYCLONE FENCE . . COLUMBIA-GENEVA STEEL . . CONSOLIDATED WESTERN STEEL . . GERRARD STEEL STRAPPING . . NATIONAL TUBE OIL WELL SUPPLY . . TENNESSEE COAL & IRON . . UNITED STATES STEEL PRODUCTS . . UNITED STATES STEEL SUPPLY . . *Divisions of* UNITED STATES STEEL CORPORATION, PITTSBURGH
UNITED STATES STEEL HOMES, INC. • UNION SUPPLY COMPANY • UNITED STATES STEEL EXPORT COMPANY • UNIVERSAL ATLAS CEMENT COMPANY

4-694

Growing Investment Stature of Finance Companies

(*Continued from page* 741)

operating in widely different fields.

Within the past five years, CCC has credited to surplus $101 million out of net earnings, distributing, in the same period, dividends of $50.8 million on its common stock that has been on an uninterrupted dividend basis for 42 years. Quarterly dividends, maintained at 60 cents a share since payment of a 100% stock dividend in 1952, were increased to 65 cents a share, the equivalent of $2.60 annually with the declaration of the dividend for the first 1954 quarter. At current market price of the shares at about 39, this increased dividend rate yields 6.6%, an attractive return on a growth stock.

ASSOCIATES INVESTMENT CO., although not comparable in size to C.I.T. or CCC, is well up in the front ranks of lending companies. Reflecting the rapid postwar expansion of consumer credit, Associates in the last six years has more than doubled its total volume of finance business which has increased from $609 million in 1948, to a record high of $1,129 million in 1953. The greater portion of this volume was in retail and wholesale automobile receivables totaling $959 million, but diversification is obtained through operations of a personal loan division that did a $56.4 million business last year, purchasing of accounts receivable, the rediscount of consumer instalment receivables, making commercial loans and advances to other finance companies.

Net earnings in 1953 of $13.5 million were the highest in the company's 35 year history. Net for the common stock was equal to $4.19 a share, as compared with $3.62 a share in 1952, after giving effect to the 200% stock dividend paid in March of last year.

In addition to its finance business, Associates operates in the insurance field through subsidiaries, one of which underwrites automobile fire, theft and collision policies, and the other, formed in 1953, issuing coverages for credit life and health and accident insurance for retail instalment time buyers. A manufacturing subsidiary markets metal furniture.

The current dividend rate is conservative on the basis of net earnings and it is reasonable to anticipate a more liberal payout. The stock, however, being less seasoned than those of the two largest companies in the sales-finance field, lacks equal investment qualities.

HOUSEHOLD FINANCE CORP., the largest of the small loan companies, for the fifth consecutive year established record volume and net earnings in 1953. Operating 601 branch offices in the United States and Canada, Household's 1953 loans increased to $623.4 million, up by $32 million from 1952, with net income rising to $15.7 million, or $4.70 a share, from $13.7 million, or $4.58 a share for 1952. On the basis of these earnings, current cash dividend rate on the company's common stock is conservative. In view of the uncertainty of the trend of 1954 business, the company will most likely hold the dividend rate at present level, but may duplicate last year's action by paying out another 10% stock dividend. In any event, quarterly cash dividends of 60 cents a share appear secure. The stock is worthy of being held for its dependable income return and for its growth possibilities over the long-term.

AMERICAN INVESTMENT CO. OF ILL., has been one of the fastest growing companies in the small loan field. Through subsidiaries it operates 292 offices in 219 cities in 22 states and continues to expand, having opened 9 new offices and acquiring one office, during the first half of 1953. Within the last eight years, on a sharply ascending volume of business, net earnings have risen from $1.5 million or 94 cents a share, after giving effect to the 1950 25% stock dividend, to a 1953 record high of $5.2 million, or $2.29 a share for the common stock. Quarterly 40 cent dividends have been paid on the common since 1950, being increased at that time from 37½ cents. At current price of around 24, it offers the attractive yield of 6.6%.

BENEFICIAL LOAN CORP., ranking second in the small loan business, has recorded consistent growth in the postwar years. Since 1946 annual number of loans made has risen from 915,774 to more than 1.5 million in 1952, with dollar volume of loans increasing from $180.8 million to $471.2 million in 1952. These figures undoubtedly were surpassed in 1953. This is indicated by the fact that for the first nine months of last year, operating income rose to a record high for any similar period of $56.5 million which was $6.4 million over the first nine months of the preceding year. Despite heavier Federal income taxes, (including $775,000 taken by EPT) totaling $10.9 million, or roughly $2.2 million more than the company paid for the 1952 nine months, net income in the first three quarters of last year increased $1 million to a record high of $10.3 million. This is equal to $2.93 a share, a base for estimating full 1953 net earnings equivalent to $3.75 a share, as compared with $3.63 for 1952.

Contributing to this growh of Beneficial Loan has been the expanding economy of this country and Canada and the steady expansion in number of branch offices serving the two nations, including 23 new units added to the Canadian change during 1952, giving the company representation in 51 of the Dominion's cities. Granting for the sake of conservatism that 1954 operations may taper off from last year's high level, it appears reasonable to believe that net earnings will continue to provide a sound base for the current dividend of $2.40 a share annually that on the current price of the stock yields 6.1%.

1954 Prospects for Seriously Depressed Industries

(*Continued from page* 739)

anthracite companies. The latter are faced with a real problem of holding a minor part of the house-heating market and of finding other markets in order to keep operating at all. Among leading producers of soft coal serving industrial customers in the Middle Atlantic states are Island Creek Coal, Pond Creek Pocahontas, Pittston Company and West Virginia Coal & Coke Company. United Electric Coal and West Kentucky serve the Central West, along with Truax-Traer. Peabody Coal operating in Illinois has concentrated on supplying utilities, but high operating costs have hampered competition with petroleum products. Major anthracite companies like Glen Alden, Philadelphia & Reading, Lehigh Coal & Navigation and Lehigh Valley

(*Please turn to page* 758)

Summary of ANNUAL REPORT

	1953	1952
ales and operating revenues	$545,561,000	$490,183,000
rofit on securities	254,000	1,974,000
nterest, dividend and other receipts	5,774,000	4,382,000
Total receipts	$551,589,000	$496,539,000
ross income from operations	$ 83,168,000	$ 74,686,000
et income	45,172,000	40,305,000
ederal income and excess profits taxes	37,278,000	40,112,000
ther taxes	13,064,000	12,409,000
ages and salaries	130,575,000	121,654,000
ividends paid	26,571,000	26,569,000
er share of common stock—		
Net income	$5.10	$4.55
Total taxes	5.68	5.93
Dividends paid	3.00	3.00

	Dec. 31, 1953	Dec. 31, 1952
urrent Assets	$303,225,000	$193,941,000
roperty, at cost	677,072,000	548,107,000
Less: reserve for depreciation, etc.	308,376,000	289,387,000
roperty, net	$368,696,000	$258,720,000
nvestments, deferred charges and other assets	30,639,000	26,418,000
urrent liabilities	$124,051,000	$ 70,709,000
ong-term debt	200,000,000	50,000,000
eserves	34,295,000	32,845,000
apital stock and surplus	344,213,000	325,525,000
tockholders at end of year	28,600	27,850
mployees	29,100	27,800

perations

et income for 1953 was $45,171,647, record high for the Company and an crease of 12% over the $40,305,400 r 1952; earnings per share were 5.10 in 1953 and $4.55 in 1952.

Sales in 1953 were 11% above those r 1952 and also were the highest on cord. The increase in sales resulted rgely from greater volume, due in rt to the fact that activity in 1952 in some of the industries served had been curtailed as a result of the prolonged steel strike. Greater capacity as the result of completion of some of the Company's new facilities also was responsible for part of the increase in sales.

Notwithstanding increased charge for amortization and substantial charges for starting-up expense, gross income from operations increased in proportion to sales. The effect of higher interest charges was more than offset by lower taxes and net income increased 12% over 1952.

New Financing

In April 1953 the Company sold through a group of underwriters $200,000,000 of twenty-five-year 3½% debentures due April 1, 1978. A $50,000,000 three-year loan from a group of banks made in 1952, although not due until 1955, was repaid early in 1954.

Construction

Considerable progress was made on the Company's construction program during 1953. Expenditures for fixed capital acquisitions in 1953 totaled $135,261,078, an increase compared with 1952 of $47,617,614. Of the amount expended in 1953, about 85% was for expansion and new projects.

Research and Development

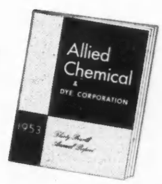
The Company's emphasis on research and development activities in new expanding fields, particularly polymers, resins, plastics and synthetic fibers, continued in 1953 and a number of new research facilities were provided and research staffs increased.

Upon completion of additional laboratories now under construction, all the Company's divisions will have modern post-war research facilities.

Investments and Securities

At the end of 1953 investment in U. S. Government securities amounted to $149,752,116, of which $50,000,000 was used in January 1954 to retire bank loans. At the end of the year, items in the marketable securities account had a book value of $20,424,293 and a quoted market value of $50,979,834.

ANNUAL REPORT WILL BE SENT ON REQUEST



The Annual Meeting of Stockholders will be held at 61 Broadway, New York City, Monday, April 26, 1954 at 1 p.m. (Daylight Saving Time). All stockholders are cordially invited to attend.

1954 Prospects for Seriously Depressed Industries

(*Continued from page* 754)

Coal have been seriously affected by rising costs and dwindling markets.

SHIPPING—In the case of shipping and its affiliated shipbuilding industry representative companies have been handicapped by conditions over which they have no control. International tensions manifested in high tariffs, import quotas, embargoes and many other restraints have been retarding commerce for a generation. Prospects for restoration of free trade among nations on a large scale are not encouraging. As a matter of fact, restrictions have defeated their own purpose in some case by encouraging development of synthetics to replace commodities imported from sources abroad. Note, for example, how silk has been almost completely displaced by synthetic fibres. Carpet wool imported from South America similarly is menaced.

Rising wages have imposed another handicap on operation of steamship lines as well as on construction of freighters and passenger vesels. Naval craft still are being fabricated in Government and private shipyards, but the volume of this business seems likely to remain restricted. Dollar shortages and other foreign currency problems have hampered tourist travel as well as foreign trade. Shipments of American manufactures to overseas markets have been financed to a large extent by foreign aid programs supported by the Treasury—in other words, by the American taxpayer. There is little hope for any early improvement in conditions favorable to the shipping industry.

Domestic shipping is kept operating by Government subsidies. Policies regarding appropriations and maintenance of our merchant marine are not entirely satisfactory to domestic operators, but the outlook for leading concerns like American Export Lines, Moore-McCormack, U. S. Lines and smaller independent lines is not entirely unpromising as at times in the past. American-Hawaiian Steamship has withdrawn from direct operations, while Atlantic Gulf & West Indies has begun liquidation. Stockholders seem to have fared better in instances of liquidation than in continued operation.

LUMBER—The lumber industry as such has had little appeal for the average investor. Several representatives in varying aspects of the business are publicly owned, such as plywood manufacturers. Fluctuations in demand and supply have posed problems for timber processors. Demand usually is governed largely by construction activity as well as by political emergencies which at times have retarded consumption of lumber in so-called non-essential projects. Timber is used to a considerable extent in production of paper, so that in a sense conversion of timber into paper and paperboard holds greater appeal from an investment viewpoint.

Plywood makers have experienced some good years as residential building has grown. Competition is keen, however, and production has shown a tendency to outpace demand with the result that profit margins have been adversely affected. This situation has previled among manufacturers of ordinary lumber as well. Competition from gypsum products and other materials used as substitutes for lumber has proved a major handicap, since logging costs have mounted steadily, while planing mill operations and distribution costs always have hampered growth of major lumber fabricators.

Probably the best opportunities for representation in this industry are to be found in plywood concerns, such as U.S. Plywood, Georgia-Pacific and smaller concerns, as well as in large owners of timber stands such as Weyerhauser Timber, Diamond Match and perhaps one or two others.

As we go to press, non-ferrous metal prices have suddenly jumped but a sound basis for this is not apparent.

1954 Outlook for Building Industry

(*Continued from page* 733)

round air-conditioning of homes will presently be the biggest factor in sending their business to new high plateaus.

Another major building trend, somewhat newer than air-conditioning, is toward porcelain enamel. A dozen companies are scrambling for the job of providing ceramic-coated metals for factories, commercial buildings.

It wasn't until the last three years that the building industry came alive to the potential of ceramic-coated metals as a covering for buildings. Such features as lightness of weight, rigidity, high insulative properties, great resistance to corrosion and erosion, color permanence (it's available in colors and patterns) and negligible maintenance costs appeal to builders and architects.

Such traditional beneficiaries of burgeoning building business as the paint producers likewise look forward to a good year. That field's oldest unit, Devoe & Raynolds Co., Inc., had record sales of about $49,000,000 in 1953, and is expanding its sales force by 20%. International Furniture Co. of Chicago, one of the nation's leading furniture makers, recounts a development noted by some others. January shipments were below a year ago—about 20% in its case. But February showed a 4% to 6% rise over the like 1953 month. Meantime, orders are "definitely" running ahead of 1953, the company reports. Nationally, though, the furniture order picture is spotty. Two Grand Rapids, Mich., manufacturers report February business is down from January—a seasonal occurrence. Grand Rapids Chair Co., one of the two companies, looks for a seasonal upturn the latter part of Spring.

Serving the building field is a major component of the Armstrong Cork Co. business. Last year, Armstrong sales reached a record $217,484,000. Present plans call for somewhat larger capital expenditures during 1954 for plant additions, for equipment to make new products and for modernizing and expanding existing facilities than the $7,500,000 spent in 1953. "The outlook continues to be encouraging," the company states. Weyerhaeuser Timber Co. registered record sales of $276,796,000 yast year. That company finds: "Demands for housing and consumer goods, an indicated higher level of construction and prospects for continued high level of consumer income and savings point to a good market for the company's prod-

(*Please turn to page* 760)

1954 Outlook for Building Industry

(*Continued from page* 758)

ucts in 1954."

High-level activity also appears assured for the producers of such products as cement, asbestos, locks and fasteners, furnaces, radiators, tile and insulative materials.

Here and there one finds a builder with a furrowed brow. This usually is a home-builder. Not only may he be troubled about economic uncertainties dissuading prospective buyers, but more often he will express concern at mortgage credit plans of the Administration. In fact, the Home Builders Association argues the down-payment proposal of Washington are not sufficiently liberal. Builders want Congress to write easier terms into law.

A signpost along the road is the continued slump in the prices of old homes. The number of such dwellings now on the market continues to rise. And, even with lowered prices, these offerings are somewhat "sticky." Two basic causes of the decline in prices are the vast number of dwellings erected in the period following World War II and the tightening of mortgage credit. In the years 1946 to 1953 inclusive, builders erected more than 8,000,000 dwelling units—more than double the number built in the eight-year period preceding the war. However, as long as it is cheaper to buy than to rent—and aside from slum dwellings this generally is true — home-buying and home-building are not likely to sag noticeably.

A fitting footnote to this story was provided by the Associated General Contractors of America, holding its 35th annual convention this month (March) in Los Angeles. Out of the conclave came a forecast that the volume of new construction throughout the nation in 1954 would approach last year's record total of $34,800,000,000. H. E. Foreman, managing director of the organization, told the gathering the 1953 total, along with $11,700,000,000 in maintenance and repair, represented 13% of the gross national product and 15% of the nation' total employment for the year.

A nation-wide survey of construction prospects which was reported to the convention indicated a "heavy spurt in highway construction, a more moderate gain in building construction and a dip in heavy engineering projects during the next six months."

Analysis of earnings reports for building suppliers indicates that while most lines were extremely active last year, net profits were mixed, mostly owing to the impact of taxes. Since most of these companies are not affected by the ending of EPT, earnings will not be cushioned in the event of a decline in sales. However, since the outlook for the first half of the year at least seems satisfactory, it is probable that most companies will be able to cover dividends by a good margin. We refer our readers to the tables which accompany this study and to the comment and "rating" of the individual stocks.

Looking at the earnings outlook of the building group somewhat more closely, it would seem that concerns in the building materials field should approximate results for the past year and, at the worst, should suffer a decline in net of no more than 5%. This is based on an over-all decline in sales of not more than 10%, which is about in line with general expectations.

The air conditioning group seems to have the most favorable prospects and, to a lesser extent, this is probably true of glass manufacturers with a large stake in construction. Wallboard and roofing companies should receive support from the growing replacement demand. Paint companies also face what should be a reasonably satisfactory year. Manufacturers of plumbing equipment and building hardware may feel the effects of a possible minor cut in residential building.

Abnormal Conditions in World Commodity Markets

(*Continued from page* 729)

a few industrial materials but these have been the exception. In some instances, indeed, prices have rebounded a little after previous sharp downslides.

However, this premise is based more on hope than on actual analysis of the world supply and demand factors affecting the commodity price structure.

Much of the postwar rise in the general price level was based on shortages of various commodities, shortages that now have been overcome and that have given way in numerous instances to definite oversupplies.

If the current recession is of limited duration and is confined primarily to the United States, no more than a very moderate decline in the general price structure is likely at this time. However, there have been a few ominous rumbles from abroad of late that suggest that recession may not remain localized.

Thus far, contraction of demand as a result of industrial slowdown has had very little perceptible effect on the general price level. But, if demand slides off in the rest of the world—where it has been holding up comparatively well in recent months—pressure on the price structure will be intensified.

No one—not even those in the highest places—has a blueprint of world economic developments in the months ahead. There are, however, potentialities in the situation that could, particularly in view of the present exalted price structure, result in greater pressure on commodity prices during the balance of this year than generally is comprehended.

Keeping Abreast

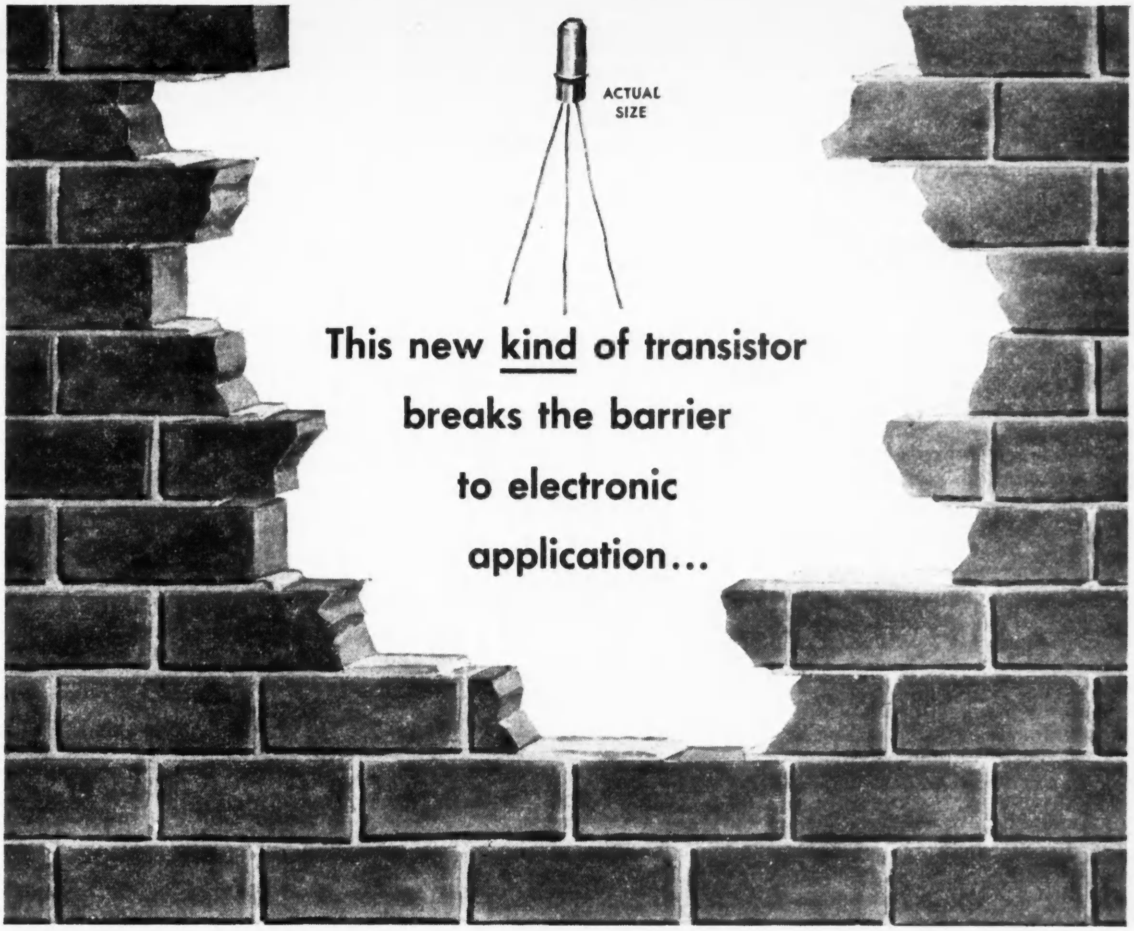
(*Continued from page* 750)

materials and many other applications. Cold rolling of steel is done at room temperatures, imparting added strength and improved quality to the steel being processed so that manufacturers can stamp the steel into different shapes without breaking it.

Visking Corp., will build a new polysthylene film extrusion plant near Flemington, N. J. The company has acquired a 20 acre site, and construction will be started shortly. Acquisition of the site and construction of the plant will represent an investment of approximately $1 million. Initially, the plant will employ 60 to 80 employees. Polyethlene film is used as a packaging and protective material.

Koppers Co., has developed and placed on the market a new expendable polystyrene plastic which will find uses in insulation, electronic applications, toys

(*Please turn to page* 762)



IT'S an entirely new *kind* of transistor, developed by Philco scientists, and it solves two major problems that to date have blocked the widespread use of transistors in electronic applications.

For this new Philco Research development (called a *surface-barrier* transistor) contributes the ability, first, to operate at high frequencies with low power consumption, and, second, to be mass produced with precision at high speed.

Translate this into hard, practical terms and you get, for the first time, such things as—

. . . a tiny, high frequency military radio set that is powered only by two penlight cells, yet has a daily operating life of *months*.

. . . a match-box size transmitter, activated by sea water, that sends an automatic homing signal for rescue operations and other possible services.

. . . and, eventually, compact electronic computers that will perform all the functions of the present, bulky, vacuum tube-type, yet uses only *1/1000th as much electric current!*

To solve this basic research problem, Philco engineers etched Germanium electrochemically to an incredible thinness, with a tolerance of half the wave length of visible light! This made it possible, for the first time, to employ Germanium for its *surface* characteristics only, without the drawbacks of its *internal* composition.

Here, once again, is an example of the results flowing from Philco's continuing program of basic research. Though still in its engineering phase, the *surface-barrier* transistor will ultimately mean not only new military applications, but will spread its benefits to 90% of the five billion dollar electronics industry, including more civilian production utilizing the marvels of electronics. It is from research of this kind that the name PHILCO becomes a unique standard for achievement in Television . . . Radio . . . Refrigerators . . . Freezers . . . Electric Ranges . . . and Air Conditioning.

And the end is not in sight!

ANOTHER FIRST FROM PHILCO RESEARCH

Keeping Abreast

(*Continued from page* 760)

novelties and many other fields. The material is sold in free-flowing white beads which can be expanded and molded into a multitude of shapes and sizes. Its an improvement over the foam-type plastics which heretofore could be processed only in sheets or blocks. The expendable polystyrene beads are made from styrene, a plastic, which comes from benzol, a by-product of coal, and from ethylene, processed from oil. The tiny, hard beads are impregnated with a special foaming agent that reacts under heat somewhat like the moisture within a kernal of popcorn. Tests indicate the material has better insulating properties than cork, glass fibres or mineral wool.

The most sensitive airborne instrument ever built according to **Minneapolis-Honeywell Regulator,** is now being mass produced. The ultra-precise instrument, cylinder-shaped and weighing less than three pounds, has been developed for use by the U.S. Air Force in automatic flight control systems for supersonic and pilotless aircraft. Its minute measurements are electrically transmitted to special components so they can automatically adjust the operation of such systems. The new gyro is apparently hundreds of times more accurate and sensitive than conventional models. Gyroscopes, of course, operate on the same principle as a childs spinning top and serve as the brains of automatic pilots and other robots needed to control the flight of modern aircraft hurtling through space at jet speeds.

A new type of electric generator hailed by **Niagara Mohawk Power Corp.** as a major step forward in the production of power, was placed in operation at the company's Charles R. Huntley steam-electric station. The unit, developed by **Westinghouse Electric Corp.,** means more power can now be produced from a much smaller generator than has hitherto been possible. The new generator weighs 87 tons less than other units in the Huntly plant and will result in large savings in copper and steel. The basic improvement that makes this possible, involves the generator's coils. Up to now such coils have been solid copper and had to be cooled by having air or hydrogen blown over them. The new unit, however, has hollow copper coils through which cooling air can be forced.

A milestone in reforestation in the United States was reached, recently, when the number of pine tree seedlings planted by **Gaylord Container Corporation** on its tree farms in Louisiana and Mississippi reached one hundred million. The actual planting site was Millard, Miss. The site of the event was previously occupied by a sawmill, which many years ago closed down because it had exhausted the supply of timber in that area. Adjoining the planting site is a two year old slash pine plantation —part of Gaylord's current reforestation program. Starting with 800 acres, the trail-blazing experiment in industrial forestry went through a period of trial and error. The total area of the man-made forest at present is 110,500 acres. In all, Gaylord tends approximately 475,000 acres of forest land in Louisiana and Mississippi which assures the future supply of pulpwood for its pulp and paper mills.

For Profit & Income

(*Continued from page* 743)

chemical "content" not approached by any major oil company. The chief chemical output is of synthetic nitrogen, for which some years of rising demand is indicated, and related products. A new $31 million chemical plant, due to start operating within a few weeks, will add over 50% to nitrogen-making capacity. A new refinery recently put into operation boosted capacity in high-octane gasoline by about 50%. The company's active and successful oil drilling program will continue. Earnings were $3.46 a share last year, against $3.30 in 1952. A gain seems likely this year. It could be sizable if the gasoline price situation is corrected. Otherwise, it would be moderate, and due largely to bigger chemical output. Under favorable oil-industry conditions, and with the addition to nitrogen-product capacity, potential annual-rate earning power could well be $6 to $7 a share. Actual earnings reached $5.97 a share in 1950; and were subsequently pared mostly by a large rise in charges for depletion incident to more active development of oil reserves. The stock is now around 36½ in a 1952-1954 range of 46¼-28⅝.

Television

The TV stocks have had a substantial recent recovery, on better trade news. There has been a considerable inventory correction. Recognizing that color TV sets will be expensive, and screen sizes relatively small, for some time, people are buying black-and-white sets more actively than in many months. But the demand is mostly for low-priced table models, on which profits of the makers are thin. Meanwhile, preparation to produce color sets mean costs, not profits. The first color TV sets to reach the retail market in New York City sold like cold cakes—which is to say, hardly at all. No TV stock is cheap on earnings. But TV issues still have a certain allure for many investors, who think there is dynamic growth in electronics ahead. They could be more or less right on the volume potential, less so on profits. Radio Corp., is, of course, the public's favorite in the group. Motorola might be considered as an alternative by those wanting a position in electronics.

Answers to Inquiries

(*Continued from page* 752)

Gross revenues of Hilton Hotels in 1953 totalled $97,592,830 compared with previous record high volume of $87,218,524 attained in 1952.

Figures for 1953 showed that net consolidated profit after all charges, including federal taxes and after adjustment to income, reached a new high of $6,417,374. This is equal after preferred dividend requirements, to $3.94 per share on the 1,613,639 shares of common stock outstanding on December 31, 1953. The net profit included $2,053,215, or $1.28 per common share, which stemmed principally from that portion of the profits on the sale of the Dayton Biltmore Hotel, the Plaza and the Town House realized during the year.

In 1952, consolidated net profit was $4,521,415, equal after preferred dividends to $2.74 per share on the 1,620,844 shares of

(*Please turn t opage* 764)

Commercial Credit Reports

on a Record Year

IN 1953 VOLUME handled by the financing operations amounted to more than 3 BILLION 100 MILLION DOLLARS. Earned premiums of the insurance companies exceeded 47 MILLION. Sales of the manufacturing companies were over 110 MILLION.

COMMERCIAL CREDIT'S net income *before* taxes exceeded 52 MILLION DOLLARS and 23 MILLION *after* U. S. and Canadian taxes on income. Reserves of over 100 MILLION DOLLARS were available for credit to future operations, expenses, credit losses and earnings. Capital funds exceeded 148 MILLION DOLLARS and total resources as of December 31, 1953, were more than 1 BILLION DOLLARS. All of these figures represent new highs in COMMERCIAL CREDIT'S history.

We are grateful to the manufacturers, wholesalers, retailers and consumers who made such substantial use of our facilities and to stockholders and others who provided our operating funds. Particularly, we want to pay tribute to the officers and employes of COMMERCIAL CREDIT and its Subsidiaries for their intelligent and enthusiastic handling of their company's affairs.

Alexander E. Duncan
Chairman of the Board

E. C. Wareheim
President

COMMERCIAL CREDIT PLAN

Copies of our 42nd Annual Report available upon request

COMMERCIAL CREDIT COMPANY
BALTIMORE 2, MARYLAND
Offering services through subsidiaries in more than 400 Offices in U.S. and Canada

Condensed Consolidated Balance Sheets as of December 31, 1953 and 1952

ASSETS

	1953	1952
CASH AND MARKETABLE SECURITIES	$ 143 194 074	$ 153 919 460
RECEIVABLES:		
Motor and Other Retail	$ 641 240 127	$ 570 189 287
Motor and Other Wholesale	135 148 774	151 333 622
Direct Loan Receivables	40 302 307	48 598 257
Commercial and Other Receivables	126 048 068	125 396 090
	$ 942 739 276	$ 895 517 256
Less: Unearned Income	44 863 451	41 084 860
Reserve for Losses	14 246 328	14 012 726
Total receivables, net	$ 883 629 497	$ 840 419 670
OTHER CURRENT ASSETS	22 924 942	21 385 278
FIXED AND OTHER ASSETS	13 063 893	10 708 186
DEFERRED CHARGES	5 884 287	5 520 118
	$1 068 696 693	$1 031 952 712

LIABILITIES

	1953	1952
NOTES PAYABLE, SHORT TERM	$ 483 290 000	$ 577 165 500
ACCOUNTS PAYABLE AND ACCRUALS	37 053 609	37 207 083
U.S. AND CANADIAN INCOME TAXES	31 581 121	27 474 607
RESERVES	76 048 758	71 896 230
LONG-TERM NOTES	192 625 000	124 000 000
SUBORDINATED LONG-TERM NOTES	100 000 000	60 000 000
NET WORTH:		
Common Stock	45 770 510	45 645 060
Capital Surplus	15 591 922	15 369 499
Earned Surplus	86 735 773	73 194 733
Total Net Worth	$ 148 098 205	$ 134 209 292
	$1 068 696 693	$1 031 952 712

A Few Facts as of December 31, 1953 and 1952

	1953	1952
Gross Finance Receivables Acquired	$3 111 621 259	$2 907 587 057
Gross Insurance Premiums, Prior to Reinsurance	49 718 572	53 278 791
Net Sales Manufacturing Companies	110 709 890	102 223 306
Gross Income—Finance Companies	$ 82 837 816	$ 67 276 338
Earned Insurance Premiums, etc.	47 003 129	43 455 275
Gross Profit—Manufacturing Companies	16 651 081	15 718 283
Investment and Sundry Income	2 187 836	2 947 224
Gross Income	$ 148 679 862	$ 129 397 120
Total Expenses and Reserves, etc.	71 389 320	68 494 366
Interest and Discount Charges	25 136 968	18 552 284

	1953	1952
Net Income before U.S. and and Canadian Taxes	$52 153 574	$42 350 470
Less U. S. and Canadian Taxes on Income	28 305 583	22 536 163
Net Income of Finance Companies	$14 492 050	$12 197 428
Insurance Companies	5 454 085	3 531 614
Manufacturing Companies	3 901 856	4 085 265
Total Credited to Earned Surplus	$23 847 991	$19 814 307
Common Stock Per Share Net Income	$5.21	$4.34
U. S. and Canadian Tax on Income	6.18	4.94
Dividends	2.40	2.40
Book Value	32.35	29.40
Interest and Discount Charges—times earned	3.07	3.28

Answers to Inquiries

(*Continued from page* 762)

common stock outstanding. Included was a net profit of $516,476, or 32 cents per common share realized from sale of properties.

The sale of the Plaza Hotel in New York resulted in a long term gain after taxes of $4,067,147, or $2.52 a share on the common stock. Sale of Town House resulted in a long term gain after taxes of $1,818,544 or $1.13 a share. These profits will be taken into the corporation's income account on an installment basis over a period of 12 years. Although both hotels were sold, they will continue to be operated by Hilton Hotels Corporation under lease arrangements.

Late in 1953, Hilton Hotels purchased all the assets of the Hotel New Yorker, for $12,500,000, subject to its liabilities. The New Yorker, with 2200 rooms is the world's third largest hotel.

Total assets of Hilton Hotels Corporation at the close of 1953, amounted to $104 million, which for the first time brings the corporation into the select group of companies with over $100 million in assets.

The Istanbul Hilton Hotel in Istanbul, Turkey, is scheduled to open in the summer of 1954.

Dividends in 1953 totalled $1.20 per share and 30 cents was paid in the first quarter of the current year.

Industrial Rayon Corporation

"I have been a subscriber to The Magazine of Wall Stredet for a good many years and would like a little information in regard to Industrial Rayon Corporation. Please state recent annual earnings, dividends and any new developments of the company."

D. N., Fresno, California

Sales of Industrial Rayon Corporation for 1953 totalled $70,301,603, and net income totalled $8,633,700, or $4.68 per share. This compares with net income of $8,918,343, or $4.83 per comparable share in 1952, when sales totalled $67,934,892.

The company reported net worth of $69,868,723, an increase of $3,098,664 over the previous year. A total of $10,432,000 was expended on plant and equipment during the year. Forty-eight per cent of this amount was obtained from working capital and the balance from current depreciation and retained income, with the result that working capital was reduced by $4,955,872 to $34,782,090.

The physical volume of all of the company's textile product shipments was more than 10% in excess of 1952, and shipments of its continuous processed textile yarn was slightly in excess of productive capacity for this product.

During the year 1953 steps were taken to expand the use of rayon into end-uses with particular emphasis in industrial (non-apparel) fields. Rayon has the potential to contribute economic values which should result in expanding usage in these fields.

Increases in tire rayon capacity at company plants have been virtually completed, and according to the president of the company, preliminary estimates indicate that 92-93% of all tire cord produced in the country in 1953 was made of rayon. This compared with 58% in 1951 and 79% in 1952. A process for making higher-strength yarn for tire cord developed by the company's research division in 1953 is currently being introduced in the company's manufacturing activities.

A new plant now under construction at Covington, Virginia for the manufacture of nylon staple fibre is scheduled to start operation during the fourth quarter. A certificate of necessity has been granted under which 65% of the $5 million to be invested in the 6 million pound capacity unit may be amortized over a 5 year period. The company may consider engaging in the manufacture of other non-cellulosic fibres.

The effects of the depressed textile market are continuing and the over-all economic outlook contains uncertainties, according to the president of the company.

Dividends in 1953 totalled $3.00 per share plus 5% in stock and a 75 cent cash dividend was paid in the first quarter of the current year.

Sun Chemical Company

"Please report principal divisions of Sun Chemical Company, working capital position, earnings and dividends."

S. I., Stamford, Connecticut

Consolidated net sales of Sun Chemical Company for the year 1953 were $41,269,000 with a rise i nearnings to $1,300,000, or $1.01 per share of common stock after dividends on the preferred shares. This compares with 1952 net sales of $41,835,000 with earnings of $1,200,000 or 93 cents per share. Dividends on the common stock have been paid continuously for 25 years, last year's payments totalling $897,000, comprising four payments of 15 cents each and an extra payment of 15 cents in the last quarter.

Current assets were reported at $13,933,000 and current liabilities at $2,792,000, a 5 to 1 ratio. Working capital increased $540,000 to $11,141,000. Corporate net worth at the end of 1953 was $14,451,000, or $10.49 per share, the highest in the corporation's history.

A faster rate of inventory turnover resulted in year-end inventories of $6,807,000, a reduction of $488,000 for the year.

Through its several long-established divisions, Sun Chemical Company manufactures Sigmund Ullman, Fuchs & Lang Chemical Color and Supply, Eagle, Merrill, American & Kelly printing inks; A. C. Horn and other subsidiaries in paints and building maintenance and construction materials; chemicals and waxes, lithographic cameras and machinery and pigments for many industrial uses.

Bethlehem Steel Corporation

"Will you please give me some information on Bethlehem Steel Corporation as to recent earnings, dividends and other pertinent data that will enable me to get a good picture of the company."

C. A., Englewood, N. J.

Net income of Bethlehem Steel Corporation, the second largest steel company was $133,947,837, or $13.30 a common share, for 1953 compared with a net income of $90,900,711, or $8.80 a share in 1952.

The report for 1953 showed billings over the $2 billion mark for the first time an da record for earnings, as well as shipments and production.

Mr. E. G. Grace, chairman of the board, said that the company has expended over $750 million in several years "without weakening the firm's financial stability." He stressed particularly that the expansion included both steel making and fabricating facilities, along with an important addition to the company's raw material sources, both domestic and foreign.

He said Bethlehem owns a 45% interest in Erie Mining Company, a Minnesota corporation. The other owners are Youngstown

(*Please turn to page* 766)

A Year of Progress!

The steady progress that has characterized the history of the Radio Corporation of America continued in 1953 as the volume of business increased for the seventh successive year, reaching an all-time high of $853,054,000.

Progress in development of color television, approval by the Federal Communications Commission of signal standards on which the RCA compatible color television system is designed to operate, set the stage for 1954 as the "Introductory Year" of color television.

Significant advances on several fronts were made by RCA in 1953:

1. Magnetic tape recording of television programs in both color and black-and-white, ushering in a new era of "electronic photography."

2. A new method, which, for the first time in history makes it possible to convert atomic energy directly into small but usable quantities of electrical energy with sufficiently high current multiplication to operate electronic apparatus. Based on this method, an experimental RCA Atomic Battery powered by a minute quantity of a long-life radioactive isotope was demonstrated.

3. Continued development and application of transistors revealed that electronics of solids holds tremendous possibilities for new advances in radio and television sets as well as in other electronic equipment.

Foreseeing new opportunities in all phases of its activities, RCA has intensified research, strengthened and expanded its organization, increased manufacturing capacity and diversified its products. Our objective is to maintain the leadership of RCA in radio, television and electronics, to serve America and its people through production of the finest instruments and by rendering the most efficient and economical services. Our watchword is *quality* and our aim is to maintain the symbol "RCA" as a hallmark of dependability, superior performance and progress.

David Sarnoff
Chairman of the Board

Frank M. Folsom
President

Results at a Glance

from RCA 1953 Annual Report

	1953	1952
PRODUCTS AND SERVICES SOLD	$853,054,000	$693,941,000
Per cent increase over previous year	22.9%	15.9%
PROFIT BEFORE FEDERAL TAXES ON INCOME	72,437,000	67,362,000
Per cent to products and services sold	8.5%	9.7%
Per common share	4.94	4.62
TOTAL FEDERAL TAXES ON INCOME	37,415,000	35,037,000
Per cent to profit before Federal taxes on income	51.7%	52.0%
Per common share	2.67	2.52
NET PROFIT	35,022,000	32,325,000
Per cent to products and services sold	4.1%	4.7%
Per common share	2.27	2.10
PREFERRED DIVIDENDS DECLARED FOR YEAR	3,153,000	3,153,000
Per share	3.50	3.50
COMMON DIVIDENDS DECLARED FOR YEAR	16,810,000	13,858,000
Per share	1.20	1.00
TOTAL DIVIDENDS DECLARED FOR YEAR	19,963,000	17,011,000
REINVESTED EARNINGS AT DECEMBER 31	164,068,000	153,299,000
STOCKHOLDERS' EQUITY AT YEAR END	215,719,000	202,287,000
WORKING CAPITAL AT YEAR END	228,941,000	205,288,000
Ratio of current assets to current liabilities	2.9 to 1	3.0 to 1
ADDITIONS TO PLANT AND EQUIPMENT	33,644,000	26,561,000
DEPRECIATION OF PLANT AND EQUIPMENT	13,999,000	11,128,000
NET PLANT AND EQUIPMENT AT YEAR END	134,182,000	115,444,000
NUMBER OF EMPLOYEES AT CLOSE OF YEAR	65,000	64,000

A copy of RCA Annual Report for 1953 will be sent upon request. Write Radio Corporation of America, 30 Rockefeller Plaza, N. Y. 20.

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DAVID SARNOFF

RCA®

RADIO CORPORATION OF AMERICA

World leader in radio — first in television

Answers to Inquiries

(*Continued from page* 764)

Sheet & Tube Co. 35%; Interlake Iron Co., 10% and Steel Co. of Canada 10%.

Erie Mining owns or holds under lease a substantial acreage in Minnesota containing large quantities of taconite, a low grade iron ore that requires further processing to increase the iron content of the final product. This product, known as pellets, contains about 64% iron, compared with an average of about 50% iron in the natural ores shipped from the Mesabi range.

Erie is proceeding with the construction of a full-scale taconite processing plant with the objective of producing 7.5 million gross tons of taconite pellets a year, at a cost of $300 million, and so designed that at a later date it could be increased to 10.5 million gross tons a year. Financing to the extent of $207 million has been arranged for the initial portion of the present project.

Bethlehem also has substantial ore mines in Venezuela, Chile, Canada and Pennsylvania.

Bethlehem on December 31, 1953 had outstanding bank loans of $200 million. Of this total, $60 million comes due on August 9, 19954, and $140 million on October 1, 1954.

The provision for Federal taxes on income for the year 1953 amounted to $161 million, including $16,500,000 for excess profits taxes, against federal taxes of $66 million in 1952.

Current assets as of December 31, 1953 amounted to $978,971,938 and current liabilities were $577,319,188 compared with $851,801,104 and $352,120,381, respectively, on December 31, 1952.

Net billings for 1953 were $2,082,025,781 against 1952 net billings of $1,691,732,135.

The company's rated steel capacity on January 1, 1954 was 18,500,000 net tons a year, up from 17,600,000 tons a year earlier. Steel production last year averaged 100.4%, compared with 84% during 1952.

Bethlehem Steel Company's Sparrow Point, Maryland Shipyard delivered more tonnage last year than any other yard in the world but on March 4, 1954, D. D. Strohmeir, vice-president announced that this shipyard may have to close by the end of this year unless new business develops. On the basis of current backlog of orders, operations will be concluded in October. He stated that passage of identical bills now pending in both houses of Congress, authorizing U. S. Navy to charter 20 high speed tankers, not yet built, for as long as 10 years, would help to ease the present plight of shipbuilders.

Dividends in 1953 amounted to $4.00 per share and $2.00 was paid in the first quarter of the current year.

The Power of the Automotive Industry in Our Economy Today

(*Continued from page* 719)

Up to now, production applications have been limited to small parts, but this is a step toward the development of equipment capable of assembling major units.

None of the automobile builders has been alone in these developments. The "big 3"—General Motors, Ford and Chrysler — along with Nash-Kelvinator, Studebaker, Packard — the largest of the three so-called independents — have all been moving in the same direction.

All have been striving to improve their products and cut operating costs by employing the most modern tools and processes. General Motors has spent $1,279 million since 1950 on plant and equipment. This includes $501 million expended in 1953, with $563 million of the grand total being obtained through depreciation charges and the greater part of the balance from retained earnings. Ford, in the last eight years, has invested $1,250 million in modernizing manufacturing and distribution facilities. In the same period of time, Chrysler's expenditures have been more than $450 million for improvements and additions to land, buildings and equipment exclusive, as is also the case with Ford and General Motors, of cost of special tooling.

They aren't through yet. Girding themselves for the competitive years involves additional expenditures for the big "3" which last year accounted for approximately 91.2 per cent of 1953 car output. The Ford company states that before it is through its program it will spend another $350 million. General Motors also expects to continue its capital expenditures at a high rate. It was only late last year that the company, to meet such expenditures and provide more working capital, sold $300 million of new 3¼'s 25-year debentures at 100½, that were quickly over-subscribed. Shortly after this move by General Motors, Chrysler disclosed it had arranged with the Prudential Insurance Co. of America for a loan of $250 million. Under the terms of the agreement the life of the loan is to be for 100 years at 3¾% interest. However, any time after January 1, 1952, the 100 year notes can be converted by either party into 20 year notes with such conversion resulting in interest and expenses about equivalent to that for a 3¼% bond issue maturing in 25 to 30 years. Chrysler's action in making the loan is in keeping with its plans to further modernize its facilities, including a greater degree of automation, increase productivity and lessen production costs, having an eye also on bettering its competitive position and improving its 1953 showing amounting to 20.3 per cent of the industry's total car output as against General Motors' 45.6 per cent and Ford's 25.3 per cent.

Chrysler apparently missed out in making a better showing last year because, as many in the industry put it, of conservative car styling. Unquestionably any one of its models in its various divisions represents the acme in engineering design as they have for years but overlooked was the growing woman influence that demands the ultra in lines and interior decor. From the standpoint of its percentage of cars to the whole in 1954, Chrysler may not fare any better than in 1953. Results in 1955 however, may tell a completely different story. One of the major steps has been the acquisition of its own body building plant. Near the close of last year it acquired through purchase substantially all of the facilities of Briggs Manufacturing Co., devoted to the manufacturing of automobile bodies and components and aircraft fuselages and parts. This acquisition is looked upon as a cost-cutting move with further benefits accruing to the company through increasing use of its new facilities for the production of

(*Please turn to page* 768)

symbol of service . . .

focus of DP&L'S biggest year

We will be pleased to mail you a copy of our 1953 Annual Report on request

The year 1953 marked the end of the most strenuous chapter in the history of The Dayton Power and Light Company. Eight years and over $126,000,000 went into an expansion program that has placed this company's facilities in the best condition ever. Last year the emphasis returned to Service and Sales.

With the major expansion completed, the company moved into a period of normal operations and the return to new emphasis on the importance of fundamentals—highly trained personnel ready to provide the efficient service that inspires confidence, increased sales and greater earnings.

Annual Report Cites New Records— Solid Basis for Continued Progress

- *Annual gross revenue for 1953 exceeded $57,000,000*
- *Completion of the $50,000,000 O. H. Hutchings generating station*
- *Electric generating capacity reached a total of 580,000 kw*
- *Annual residential consumption for 1953 averaged 2,454 kwh*
- *9004 new electric customers were added during 1953*
- *Total sale of natural gas reached 26,871,000 Mcf Annual residential consumption of natural gas averaged 131.7 Mcf*
- *6879 new natural gas customers were added during 1953*

THE DAYTON POWER AND LIGHT COMPANY
BALANCE SHEET

	December 31 1953	1952
ASSETS		
Property and plant	$184,095,615	$173,301,796
Current assets	14,449,403	15,825,309
Other assets	536,436	254,296
	$199,081,454	$189,381,401
LIABILITIES		
Capitalization	$148,489,654	$146,939,093
Current liabilities	18,552,612	14,081,520
Reserves	32,039,188	28,360,788
	$199,081,454	$189,381,401

RESULTS OF OPERATIONS

	1953	1952
REVENUE	$ 57,500,942	$ 52,956,777
EXPENSES	47,913,806	43,119,588
Gross income	$ 9,587,136	$ 9,837,189
INCOME DEDUCTIONS	1,828,421	1,561,747
Net income	$ 7,758,715	$ 8,275,442
PREFERRED DIVIDENDS	948,770	948,770
Earnings on common stock	$ 6,809,945	$ 7,326,672
Number of common shares outstanding at December 31	2,585,728	2,573,697
Earnings per common share outstanding	$2.63	$2.85

THE DAYTON POWER AND LIGHT COMPANY

25 North Main Street, Dayton 1, Ohio

The Power of the Automotive Industry in Our Economy Today

(*Continued from page* 766)

other auto parts now procured from outside sources. One of the big moves that Chrysler is likely to make during the coming months is going out "hammer and tongs" to build up Plymouth sales. In line with this objective, the Plymouth division, it is expected, will double 1953's budget in advertising and promotion and in support of its field force, with other divisions, through stepped-up advertising and increased selling organizations pushing Dodge, DeSoto and Chrysler model sales.

Meanwhile, of course, it is not to be expected that General Motors and Ford will not tilt to the utmost with Chrysler for the car buyer's dollar. Any one of the "big 3" may pull a surprise, maybe not this year but perhaps next—that being a new and smaller car to meet what seems to be a growing interest in a four or six cylinder job that can move at a reasonable speed and produce 35 or more miles on a gallon of gasoline. If such is the intent of one or the other of the "big 3", their plan has been anticipated by Nash Motors which has already unveiled its new Metropolitan with an 85-inch wheelbase, powered by 42 horsepower engine capable of delivering 40 miles per gallon of gasoline, as Nash puts it, at "normal highway speeds." Nash presents the Metropolitan as a new concept in American motoring. Seating two persons, it is evident that it is designed to appeal to those looking for economical transportation and is not intended as a competitor car to the regular Nash line of Ramblers, Ambassador and Statesman models.

The big question is whether sufficient demand will develop for such a car as to make it a profitable innovation, and whether it will meet competition from something similar that one or all of the "big 3" might bring out. This leads to some speculation as to how Nash, or its proposed successor, American Motors which will also include Hudson Motors, will fare under the pressure of competition from General Motors, Ford and Chrysler that, combined accounted for all but about seven percent of total car sales last year. This also applies to Packard, Kaiser Motor and its subsidiary Willys Motor, and to Studebaker. It is not out of the realm of possibilities that one or another of the so-called independents may follow Hudson and Nash-Kelvinator's example in joining together to form a stronger and more diversified organization than either one would be separately.

We have seen that under the first impact of a major transition in the automotive industries from war to peace, new problems have been created and that the end results are more than likely to alter the basic relationships between constituent members of the industry. Not only are the independents going through a major revolution as indicated by the strong trend toward mergers, but the fundamental position of the Big Three is also becoming more fluid. Powerful competition between these major factors in the industry will become a dominant feature. Immense resources are being thrown into the combat. General Motors, of course, is in an unparalleled position of strength but Ford has a mighty weapon in its freedom from stockholder control. At the same time, Chrysler is going to wager the enormous sum of $250 million in its struggle to maintain a firm competitive position.

The automotive industry both influences the economic trend and is, in turn, influenced by it. But, at this particular juncture, it is the automotive industry which will play a vital role in the main business trend during the months ahead. Until the outlook for the automotive industry is clearer, it is more than likely that all other industries associated with it will be compelled to mark time. We see evidences of this in the steel industry, for example. One of the more unpromising elements in the basic situation is the reduction in farm purchasing power. A sharp increase in sales of cars, trucks and other related equipment will depend heavily on whether farm prices can hold. The national trend towards increased savings is also a factor of great importance. Confronted with these difficulties, it would seem that if the industry can maintain its present output of around 5.5 million cars and trucks in 1954, it would be considered a satisfactory performance under the condition.

WORLD POPULATION AND PRODUCTION

This book takes a look at the needs and resources of the whole Earth—a world-wide survey of social and economic forces and trends in the fateful present decades when mechanization is spreading to all countries, with revolutionary effect on the life of man and the fate of nations.

The authors, Mr. and Mrs. W. S. Woytinsky, have had wide experience in similar studies here and abroad and have spent five intensive years in compiling and preparing the material in this cyclopedic volume. Its 1268 pages of double-column text cover the populations of the world and their geographic settings; consumption needs and patterns; the world's human and natural resources; data on every country's farming, energy production, mining and manufacturing. Major economic trends are also projected into the future.

Twentieth Century $9.00

CANCEL ALL OUR VOWS

By JOHN D. MACDONALD

At thirty-six, Fletcher was treasurer of the Forman Furnace Corporation. He loved his job and his family—still a feeling of drifting discontent troubled him. Even though Jane was a few years younger, she feared that her blonde loveliness might soon fade. She was aware, too, of Fletcher's attraction to other women, especially Laura Corban. The evening the Corban's entertained he was so obviously excited by the woman that Jane couldn't hide her anger.

Seething with resentment, she had to strike back, but she only wanted reassurance. It was a coincidence that she met Sam Rice the following day. The handsome, young athlete's flagrant attentions were a challenge and at first Jane was amused with her flirtation. As the day progressed, however, he grew more appealing and persistent. Frightened by her response Jane tried to discourage him, and finally when he overcame her resistance she felt betrayed.

As shocked as Fletcher was by her behavior, Jane had no defense to offer when he turned to Laura. Although he had never made a fetish of faithfulness, Fletcher considered his wife a woman apart from others. He could not forgive Jane, nor could he imagine life without her. With Laura's strange, haunting appeal adding only more bewilderment and torment to his life, he found himself on the brink of personal disaster that threatened his marriage, his family and his career.

Appleton-Century-Crofts $3.50

VELAZQUEZ

With Introduction by
JOSE ORTEGA Y GOSSET

This is a definitive and long-awaited book about one of the greatest Spanish artists of all time—Diego-Rodriguez de Silva y Velazquez. In this masterpiece of Swiss book manufacture, you will find more than 100 magnificent gravure reproductions of Velazquez' finest paintings, 53 of the large-size plates are in true-to-life full-color, while the remaining 51 are faithfully reproduced in monochrome.

Random House $7.50

American Investment Company of Illinois

AICO OF ILLINOIS

FINANCING THE CONSUMER THROUGH NATIONWIDE SUBSIDIARIES

PLC PUBLIC LOAN CORPORATION

LSC LOAN SERVICE CORPORATION

GPL GENERAL PUBLIC LOAN CORPORATION

DOMESTIC LOANS FINANCE DOMESTIC FINANCE CORPORATION

OFC OHIO FINANCE COMPANY

Although 1953 was another record earning year, our emphasis was on consolidation of previous growth and training of manpower. With economic factors expected to remain at a high level, we feel conditions warrant the use of our trained manpower for expansion in 1954. This expansion, together with termination of Excess Profits Taxes, should make 1954 another record year.

Highlights *from the Annual Report*

	Dec. 31, 1953	Dec. 31, 1952
Gross Earnings	$ 34,054,675	$ 31,352,285
Operating Expenses	$ 22,608,225	$ 20,180,727
Income Taxes	$ 5,785,725	$ 5,960,493
Minority Interest in Earnings	$ 379,863	$ 382,709
Net Earnings	$ 5,280,862	$ 4,828,356
Preferred Dividends	$ 540,611	$ 306,408
Number of Common Shares	2,067,626	2,055,315
Earnings Per Common Share	$2.29	$2.20
Dividends Per Common Share	$1.60	$1.60
Total Loans Made	$232,852,229	$239,121,040
Number of Loans Made	737,168	765,722
Average Loan Made	$316	$312
Notes Receivable Outstanding	$145,430,877	$137,013,808
Number of Branch Offices	296	283

★ ★ ★

Condensed Consolidated Balance Sheet

ASSETS

	Dec. 31, 1953	Dec. 31, 1952
Cash	$ 13,960,159	$ 12,284,835
Installment Notes Receivable—Net	140,167,733	131,976,786
Accrued Interest Receivable	1,091,684	1,012,556
Total Current Assets	155,219,576	145,274,177
Property—net book value	1,345,483	1,319,986
Other Assets and Deferred Charges	3,794,542	3,854,960
Total	$ 160,359,601	$ 150,449,123

LIABILITIES

	Dec. 31, 1953	Dec. 31, 1952
Notes and Debentures Payable	$ 57,311,500	$ 50,257,000
Accounts and Taxes Payable	7,800,691	7,678,204
Total Current Liabilities	65,112,191	57,935,204
Long Term Senior Debt	42,550,000	46,300,000
Long Term Subordinated Debt	11,450,000	7,900,000
Minority Interest	3,789,399	4,515,036
Capital Stock and Surplus	37,458,011	33,798,883
Total	$ 160,359,601	$ 150,449,123

COMMON STOCK LISTED ON NEW YORK AND MIDWEST STOCK EXCHANGES (AMT)
PRIOR PREFERRED STOCK LISTED ON NEW YORK STOCK EXCHANGE

Copy of Detailed Annual Report Available upon Request at Executive Offices, 1112 Ambassador Bldg., St. Louis 1, Mo.

What's Behind the Higher Earnings of Individual Companies in 1953?

(*Continued from page* 723)

GENERAL TELEPHONE CORP. Net income jumped spectacularly in 1953, from $8.7 million to $13.9 million. With common shares outstanding approximately 1 million higher, earnings were $3.98 a share compared with $3.26 a share. The story here is simply one of rapid growth and modernization. Growth is indicated by the following figures for telephones operated: 1.56 million at the end of 1952; and an estimated 1.65 million at the end of 1953. At the same time, manufacturing facilities are rapidly being expanded. The company is in a major phase of expansion, involving additions to existing facilities and the acquisition of numerous small independent exchanges. Revenues are greatly stimulated through higher rates granted by State Commisions. In addition, new revenue has been added through separate agreements with subsidiaries of the Bell network. To cover requirements for new acquisitions and additions to facilities, the company has engaged in large financing measures in the past several years. The company has shown an extremely strong earnings position which is most likely to be maintained over coming years. The stock, though materially advanced in price, is worth holding.

MATHIESON CHEMICAL CORP. Net profit for 1953 was $18,755,813 compared with $14,503,152 in 1952, and ran parallel with the steady increase in sales which has marked the company for a number of years. Sales were about $243 million compared with $215 million. Earnings were $3.30 a share compared with $2.53 a share. The comparison is even more favorable, if allowance is made for the 36 cents a share tax credit received by the company in 1952. The earnings statement shows the effects of the acquisition of E. R. Squibb & Co. in October of 1952. All divisions of the company have operated profitably. Some additional benefits accrued through higher prices for some products. Total sales are not expected to increase this year though the pharmaceutical division should continue to gain, and some new products due to come to market this year should tend to support over-all operations. Emphasis is being laid on consolidation of gains in recent years and on effecting economies. Broadly speaking, the company is in a true growth phase, with an interesting new development in natural gas. For long-term investment, the stock is worthy of retention.

RADIO CORP OF AMERICA. This company turned in another stunning statement for 1953, with net income of $35 million, compared with $32.3 million in 1952. This amounted to $2.27 a share, compared with $2.10 a share. Sales had an enormous rise to $853 million from $693 million. Taxes took $4.80 a share, of which an undisclosed portion represented EPT. Approximately 75.6% of the company's business came from manufacturing, distribution and related activities and about 20.6% from the affiliate, National Broadcasting Co. About 19% of total sales was to the armed forces. With a $500 million government order backlog, the company undoubtedly will be active in filling these requirements for the next few months at least. Some tapering off toward the end of the year however, in line wtih lower government expenditures for military equipment, seems probably. This is not nearly as important to the company's future as its astonishing creation and development of new products, such as "magnetic" tape recording, the transistor, color TV (both direct and compatible) and new methods of converting atomic energy. While the underlying trend for Radio Corp. is undoubtedly massively forward, there are indications that sales in 1954 may not top those of last year. Confusion in the black-and-white manufacturing and distributing end of the TV industry may be in part accountable for this outlook. Nevertheless, the stock is one of the strongest "growth" equities and should be held on a long-term basis.

WINN & LOVETT GROCERY. For the 52 weeks ended January 9, 1954 net income was $3.7 million compared with $3.2 million in 1952. Sales continued the forward march established for some years and hit $214 million compared with $189 million the previous year. The company, operating mainly in rapidly growing sections of Florida (also Kentucky, Georgia and Indiana) has concentrated on the modern supermarket type of store. It has 192 such establishments and it is expected that this will reach a total of about 215. It also has 9 wholesale units and in recent years has acquired a number of food-manufacturing and processing concerns. The company is very active in developing its frozen food lines. Earnings in 1953 reached a peak of $2.73 a share compared with $2.36 a share, and it is anticipated that a somewhat higher earnings figure will be reached in the fiscal year ended June 30, 1954, partly as a result of growth in sales and partly because of the lapse of EPT. The stock is less well seasoned than those of larger and older-established companies in the same general field but has speculative appeal from the long-term standpoint.

As I See It!

(*Continued from page* 713)

must be done to solve this problem—because of the harmful effects on the great city of New York—and the general effect of these terroristic activities on the entire country. And at this time, it seems only reasonable and imperative that Puerto Ricans should be admitted only after careful screening for health and criminal backgrounds—and that consideration should also be given to the growing scarcity of residential space in New York City—and to the costs laid upon its citizens for the carrying of the burden of the influx of this vast and ever-increasing number of Puerto Ricans.

Some sound and reasonable action must be taken to safeguard the well-being and security of New York and the generations upon which our future depends. We cannot afford to indulge in loose or prescribed thinking in the face of this danger.

Who Is Right?

(*Continued from page* 721)

competition in individual areas of business activity will exert more of an influence on prices in coming months.

Personal Income. In January, personal income, according to the Department of Commerce report, dropped at the annual rate of $2 billion. The total for the month was $282.5 billion. On the other hand, the figure showed an increase over the same month last year of about $2 billion. Disposable income was higher than in December owing to the effect of the reduction on income taxes. Higher social security payments also helped to keep the figures up. Wages and salaries were down by $1.5 billion, figured at annual rates.

Though the January income trend was down, the rate of decline was moderate. However, it is possible that a more severe drop occurred in February, as based on the sharp increase in unemployment. As yet, however, the decline has not had much of an effect on consumption as shown below:

Consumption and savings. Probably the most remarkable development affecting the economy of the nation is that consumer habits in relation to income and savings have radically changed since the war. Before the war, consumer spending played a rather passive role and generally followed income. Consumers today follow a much more independent role and this remains one of the most important, if not the most important, sustaining influence. Figures for personal consumption expenditures in 1953 tell the story. Despite a contraction in production and employment in the final quarter, consumption expenditures dropped off only $1 billion from the $231 billion (annual rates) of the preceding quarter.

It is apparent that consumers kept right on spending. It is a matter of fact, although there were already some doubts about the business outlook, the final quarter witnessed only a small increase in personal savings, at the annual rate of about a half million dollars. It is true that as compared with early 1952, savings have risen but, in relation to the decline in business, the increase has been very mild.

The obvious conclusion is that so far as the consumer is concerned, he is not allowing himself to curtail purchases at this time merely because highly pessimistic reports on the business outlook have been circulated. This is also borne out by retail trade figures which for December, a critical month, were down only 3% from the preceding year. Undoubtedly, the consumer still remains one of the strongest elements in the situation but it is noticed that he is rapidly becoming more price conscious.

From the above, it can be seen that many cross-currents are visible in the business situation and while they may not always be consistent they offer a far better foundation for appraisal than do round-house generalities of the type so common these days. In sum total, while strong recessional influences are unquestionably present, they have not as yet developed beyond those common to an adjustment period.

We have, nevertheless, arrived at a point where any appreciable decline in economic activity from present levels would have to be considered as a signal that we are on the verge of a truly recessionary period that might possibly be prolonged.

At present, the chief mainstays are high consumer spending; near $239 billion, a still high though slackening rate of capital investment which may drop to about $25 billion this year as compared with $28 billion in 1952; and sustained government expenditures of around $63 billion. Despite the size of these figures, they are obviously not sufficient to assure full employment and maximum business volume. It is the fear that this gap may widen that has caused the Administration to indicate that it may feel itself compelled to intervene should conditions worsen in the near future.

Government intervention probably would take place in the following sectors: tax relief (already there is a proposal to cut some excise taxes) large-scale public construction and abundant credit at low rates.

The present attitude of the government is to encourage business

(*Please turn to page* 774)

Cumulative Index to Volume 93

Pages 1 to 56 inclusive, October 3, 1953
Pages 57 to 112 inclusive, October 17
Pages 113 to 168 inclusive, October 31
Pages 169 to 228 inclusive, November 14
Pages 229 to 292 inclusive, November 28
Pages 293 to 352 inclusive, December 12
Pages 353 to 408 inclusive, December 26
Pages 409 to 468 inclusive, January 9, 1954
Pages 469 to 540 inclusive, January 23
Pages 541 to 592 inclusive, February 6
Pages 593 to 648 inclusive, February 20
Pages 649 to 706 inclusive, March 6
Pages 706 to 780 inclusive, March 20

Who Is Right?

(*Continued from page* 713)

through conventional means. The demise of EPT, the 10% cut in personal taxes already and the proposal to liberalize credits on dividends and depreciation are cases in point. The Administration may also be forced to consider raising exemptions on personal income. These, of course, are measures which may have inflationary effects. In addition, the government can implement plans for large-scale public works—it is considered that we have a deficit of about $60 billion in this area—which normally would have a stimulating effect. Money rates are already lower but there is still room for further downward adjustment and the government can encourage more liberal loans by banks.

The government has other means at its disposal. For example, it could draw on unexpended appropriations of some $3 billion which would have an immediate effect on the economy as it would release current purchasing power. It can also moderate terms on FHA-insured mortgages and has means at its disposal for increasing aid to road building though an ambitious plan would call for the appropriation of much larger sums than now available. From all this, it is apparent that the government has ample means, both present and in the future, to influence the trend of business. Yet, it does not appear that the situation as yet has reached a point which would call for such drastic action.

For the present, business more or less will have to rely mainly on its own internal resources to counteract the effects of the current adjustment from boom to more moderate levels. A number of individual sectors of the economy show increasing pressure but the over-all position is by no means entirely discouraging. Furthermore, there have been indications in recent weeks of resistance to the downward trend in a few isolated spots, such as shoes and textiles and in retail trade. Thus, it would seem that while the busines decline in the past few months has been substantial it actually has not been quite as severe as seemed probable not long ago. On the other hand, we have not as yet had proof that the downturn has ended.

The next few weeks will tell a good part of the story. If the government should then intervene decisively, it would be taken as a sign that a genuine recession was in the making for the time being as the effects of any government action could not be visible for at lease a few months after it was taken. If no government action is taken, it could be taken as a sign that continuation of the downturn on a wide scale is not expected. This, however, would not necessarily mean that a genuine recovery was in prospect. It thus appears that in any event business for the next two or three months will do well if it can hold present levels. Apparently, the burden of proof is on the optimists.

The Government's Policy

In discussions of the relation of public policy to the business cycle, this question is commonly raised: At what point should or will the federal government act in the interest of checking depression or inflation? The thought seems to be that the government

can stand aloof until some price index or unemployment figure reaches this or that magnitude.

This is not a realistic concept of public policy. It overlooks the need for constant vigilance and preventive action, day by day and week by week.

The decisions currently made by Government, whether in the sphere of taxes or housing or defense or agriculture or bank credit or any other major area, inevitably have implications for economic growth and stability, if not immediately, then in a later day. The new concept that is emerging in the practical art of government, as the author may already have suggested, is to subject every act of proposed legislation or administrative decision, as far as that is humanly possible, to review from the standpoint of the contribution it is likely to make, whether in the immediate or a more distant future, to the attainment of an expanding economy with maximum employment and without price inflation. That was the basic intent of the Employment Act of 1946, and it is a guiding principle of this Administration. If our economy is to have a good chance of staying firmly on the road that separates inflation from recession, the Government must be alert and sensitive to every economic development, including its own myriad activities; it must be prepared to take preventive as well as remedial action; and it must put itself in a state of readiness to cope with new situations that may arise.

This report has sought to convey these basic principles, both in its review of the directions taken by governmental policy during the past year and in the new program of action that is being recommended. But the question may be asked: Is the proposed program sufficient to insure stable prosperity? Does it deal adequately with the economic conditions that are currently emerging? Or, may it not go too far and unleash new inflationary forces? To these questions, no answer can be both short and honest.

The recommended program is sound. It is designed to meet the needs of the current situation, to strengthen the basic expansive forces of individual enterprise, and to protect economic stability.

But no one, however learned or wise, can predict with certainty

(*Please turn to page* 776)

The Government's Policy

(*Continued from page* 775)

the precise strength or influence of a particular governmental program. Further, apart from what the Government does, economic life continually turns up new problems and opportunities, as fresh developments occur in one or another part of the domestic front or the international field. The Government must be ready to deal with numerous contingencies, and beware of tying the fate of the Nation to a rigid economic program based on a categorical forecast.

In recognition of the fallibility of economic forecasts, this Report has recommended several measures that will automatically tend to strengthen the ability of the economy to resist either recessionary or inflationary trends. But automatic stabilizers cannot be counted on to do more than restrain either an upward or a downward tendency of the economy. In view of their limitations, and because of the impossibility of being entirely sure in advance of the precise effect of any governmental program, the Government will pursue flexible policies in the future as it has in the past year—that is, policies that can be readily supplemented if they prove inadequate, or quickly modified if they carry the economy to the threshold of price inflation.

The arsenal of weapons at the disposal of Government is very formidable. It includes credit controls administered by the Federal Reserve System, debt management techniques of the Treasury, and the authority of the President to vary the terms of mortgages carrying Federal insurance, apart from the wide extension of that authority recommended in this Report. It includes the administration of the budget, which permits more flexibility than is commonly appreciated, quite apart from new legislation or new appropriation by the Congress. It includes also other areas of action, such as taxation, public works, accelerated depreciation for defense plants, and the newly recommended agricultural supports. And if the powers possessed by the Executive should need to be increased to cope with some new economic development, the Administration will promptly seek from the Congress the additional authority that it requires.

The Trend of Events

(*Continued from page* 712)

pretax earnings. Obviously, this should show up in a decline in per share net earnings for the initial quarter of 1954.

MORE ABOUT BOOK VALUES . . . Occasionally we get letters from subscribers who want to know why so many stocks sell below their book values and why others sell well above. The answer is that there is no real relationship between book values and stock prices. As a statistical item, book values may have some interest for the student but the determining factor on stock prices is earnings and dividends. It is not the size of book values that counts but, rather, the use to which they are put by managements. Book values often largely consist of buildings and plants which may not be fully productive, either because of obsolescence or poor location or because modern machinery is needed to make them profitable. Or, they may consist, in part, of inventories not readily saleable without loss. Even when book values consist to a large extent of cash or marketable securities, the effect on stock prices may be comparatively negligible, unless more dynamic factors are present.

On the whole, the investor would do well to disregard the factor of book values in estimating the price potentials of a stock. Some of our finest stock investments sell at a mere fraction of their book values and have consistently done so. Premiums paid for such issues are based on long-range earnings and dividend potentials which, in turn, are based entirely on management capability to turn all available assets into increasingly productive power. Where such capabilities are non-existent or where they are limited, no amount of book value will do the investor much good.

A JOB FOR PRIVATE INDUSTRY . . . The machine tool industry represents an excellent example of how false government policies may operate to the detriment of the private sector of the economy. With the government the owner

of about 20% of machine tools in the United States, it has had two courses open to it since the end of hostilities in Korea; either it could put the bulk of this equipment not now used in defense work, in storage, with the slowdown in the defense effort, or it could lease it out to manufacturers of civilian goods. There are two disadvantages in the latter course. One is that it would lead to direct competition with manufacturers of new machine tools and thus restrict their leasing prospects and, second, the government would no longer possess an adequate reserve of this vital equipment if a new emergency arose.

It is understood that the government in recent months has been leasing machine tools to private interests though the policy was established that after the Korean war ended such equipment would be retained as a national defense reserve. This is unfortunate because experience after World War II has shown that sale of government-owned surplus materials can have a depressing effect on the industries involved. Furthermore, as the Machine Tool Builders Association notes, "government leasing uses taxpayers' money to finance government competition with private industry. Such leasing . . . should not be permitted . . ."

Market Looks to First Quarter Earnings

(*Continued from page* 715)

about 15 in as non-boomy a year as 1939. Over the same period the average dividend yield was about 6.2%, against roughly 4.7% average in 1939. In the four years 1949-1952 yields on similar stocks ranged between 7.5% and 5.4%. They are currently about 5.5%; and the current price-earnings ratio is a little under 10.0.

Were similar data available for the great mass of secondary stocks, they would show a considerably greater advance allowance for the end of the postwar boom. Thus, in 1951 the production index trended up and the Dow industrial average rose about 34 points net on the year, yet about a third of all Big-Board stocks declined on the year. In 1952, with production up and the industrial average higher by about 22 net points on the year, roughly half of all Big-Board stocks declined. With the Dow average down a modest 11 points net for 1953, and production easing since last July, about two-thirds of all listed stocks were down.

Now we have had a 10% production decline. The market is saying that anticipation of it into last September was more than adequate. It is putting a higher valuation, still not an extreme one, on expected 1954 earnings 15% or so under those of 1953. It is, of course, still subject to sizable trading swings — which means downward as well as upward—but it is not seriously vulnerable unless the concensus of "fairly moderate" recession in business and earnings proves badly wrong and we got something more like the 1937-1938 slump than the 1948-1949 slide which has already been nearly approximated. What it will be is still more than a little uncertain; and, if we get some improvement this spring, that could still leave uncertainty and be followed by some further downward test in later months.

Orders booked have shown some improvement in recent weeks; and it is officially stated that total business sales are above production. This implies a levelling out of the downtrend in production before long, if not a small rebound. However, such key weekly indicators as steel production, paperboard output and car loadings have remained under pressure. Steel production is above orders and will dip further unless the latter promptly improve. Automobile sales are showing seasonal betterment, but running materially under the year-ago level. To say that the industry has returned to a buyers' market is understatement, even though dealers, rather than manufacturers, are "taking the rap" on prices. Retail trade is down moderately from a year ago, with the bulk of the shrinkage in hard goods. Construction, however, continued to make a good showing through February.

The President has implied that the Administration would move more boldly to counter recession if employment did not show some March improvement. This has later been qualified with "spring" —which runs into June—substi-

(*Please turn to page* 778)

— Coming Soon —

10 MARKET LEADERS FOR 1954

Market Looks to First Quarter Earnings

(*Continued from page* 777)

tuted for March. The Administration seems confident of a leveling off before long, and of a business turn-around by autumn. So it is opposing further tax cuts, via the higher income tax exemptions the Democrats are driving for; and House Speaker Martin has warned that if amendments to the omnibus tax revision bill make it too costly to the Treasury, the President may veto this legislation. It seems improbable that the bill, in present from, can get through the closely divided Senate. So here are some pertinent questions facing investors (1) Will the tax credit for dividend income be discarded to lessen the net cost of higher personal exemptions? Will the tax credit be lost anyway via veto of the bill? If the Administration proves wrong in its hopeful estimate of spring and autumn business, can it change its thinking and policy fast enough to make much difference on the course of 1954 business activity—and the outcome of the November Congressional elections?

We do not think this is an opportune time to pull down reserves, in cash or equivalent, to add to over-all holdings of common stocks. As heretofore, the emphasis should be on realistically appraised investment values and special-situation profit opportunities in individual stocks. — Monday, March 15.

BOOK REVIEWS

Guide to Southern Africa —and Guide to East Africa

On her last trip to New York, the "Queen Mary" brought over supplies of the latest editions of two standard, annual Guides, published in London, that have done so much to dispel the darkness of "darkest Africa." They are the *Year Book and Guide to Southern Africa: 1954* (over 900 pages, atlas in color, charts, drawings, $3.00 postpaid), and the *Year Book and Guide to East Africa: 1954* (over 500 pages, atlas in color, fold-in map, charts, drawings, $3.00 postpaid). Between them, the Guides embrace approximately half the area of the world's second largest continent, including the world's largest remaining colonies containing huge stores of wealth of virtually all descriptions.

The traveler on business or pleasure can consult these authoritative Guides for much information relative to history, government, suffrage, topography, climate, flora, fauna, hunting, game preserves, where to stay, what to wear, what to see, what to pay, methods of transportation, etc., all interestingly presented.

The Guides also furnish up-to-date statistics on mineral resources, water power, agriculture, cattle raising, banking, manufactures, railroads, imports and exports, population, communications, native labor, plus much other detailed information.

H. W. Wilson Company — $3.00 each

The Greek Passion

By NIKOS KAZANTZAKIS

Like all great novels, this book is about the deepest passions and thoughts of man. Its story is the story of a Greek village under Turkish domination. The story begins when wily Priest Grigoris gathers the Elders of Lycovrissi together and selects from among the villagers a Christ and his followers for the Passion.

Through all the vast warmth and richness of the novel, a masterful unfolding of character takes place; we come to know each man and woman in the recesses of his soul, always furiously alive and bursting with a fierce energy to achieve his own goals. We share the joyous warmth of summer and harvest; the wild, pan-like mating of Lenio and Nikolio; the half-wanton, half-sacred feast of Prophet Elijah; the brutal death of Hussein; the desperate battle at the town gate between the wanderers and the villagers.

Simon & Schuster — $4.00

The Economic Development of British Guiana

The report contains the most complete and up-to-date description available of economic conditions in British Guiana.

It shows how a sharp fall in the death rate, brought about by the almost magical elimination of malaria by DDT, calls for accelerated investment to provide for a population growing rapidly for the first time; and it offers a five-year development program designed to improve the standard of living.

The report shows how the sugar and rice cultivation of the coast can be expanded by improved techniques and transportation, and by further drainage and irrigation projects while new roads are being driven into the interior and its potentialities thoroughly surveyed. The financial and administrative requisites for British Guiana's economic progress are exhaustively discussed in this report, which contains the most complete description of economic conditions in British Guiana available.

Numerous maps, charts and tables document the findings of the report, which has been officially submitted to the Government of British Guiana by the International Bank for Reconstruction and Development.

Johns Hopkins Press — $6.00

Captain of the Medici

By JOHN J. PUGH

Riding high on adventure and romance, Pietro and Florence were to share the fate that ruled the Renaissance itself. Cruel, exuberant, corrupt, devoted to the sacred, yet discovering anew the joys of the profane, the Renaissance mixed gunsmoke with incense, loyalty and treason. To Pietro it brought vengeful enemies, entertainment in the torture room, love, despair and great victories. To Florence it brought easy riches and rank dishonor, the plunder of unscrupulous nobles and a soldiering rabble — and the gusto to survive them all.

Little, Brown — $3.75

AN AFFAIR OF LOVE

By FRANK SWINNERTON

Here is a masterful study in self-delusion—of a man torn between the loves of two women.

Jim Probity emerged from the London slums to begin his climb up the ladder of journalism with the highest ideals and the most honorable intentions. But somewhere along the line he fell into a trap. He became the kept man of Lady Tender, wife of the owner of the paper on which Jim had gained a commanding position.

He hardly knew he had fallen. A disastrous talent for being able to justify his every action to himself kept him blind to reality. But later, when he shook free from Lady Tender to marry Olga, a childhood sweetheart, and his erstwhile mistress cut off his allowance, he was completely nonplussed. In his self-built armor of hyprocrisy he had no notion of what had really happened to him. Only Olga knew the truth about Jim Probity—knew that in the core of his own subtle character lay the germ of his tragedy.

Doubleday — $3.75

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